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THE UNIVERSITY OF ALBERTA

A POLITICAL INTERPRETATION OF CANADIAN-SOVIET TRADE

1964-1980

BY

(C)

JAMES IAN MAXWELL

A THESIS

~~SUBMITTED~~ TO THE FACULTY OF GRADUATE STUDIES AND RESEARCH

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OF MASTER OF ARTS

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Jim Maxwell
(Student's signature)

15512-95 A Avenue
(Student's permanent address)
Edmonton, Alberta
T5T 4A5

Date: October 16, 1986

THE UNIVERSITY OF ALBERTA

FACULTY OF GRADUATE STUDIES AND RESEARCH

The undersigned certify that they have read, and recommend to the Faculty of Graduate Studies and Research for acceptance, a thesis entitled A POLITICAL INTERPRETATION OF CANADIAN-SOVIET TRADE 1964-1980 submitted by JAMES IAN MAXWELL in partial fulfillment of the requirements for the degree of MASTER OF ARTS in EAST EUROPEAN AND SOVIET STUDIES.

T. Yedlin

Supervisor

T. Yedlin

B. Mackenzie

Ivo Morawski

Date: September 23, 1986

I would like to dedicate this thesis to my wife Mare who kept me going through these last few years and without whose encouragement I would not have pursued these studies.

Abstract

The purpose of this study is to explore the development of Canadian-Soviet trade during the 1964-1980 period in order to determine the importance of this trade to the two countries. Trade agreements, exchanges, and specific trade deals (eg. Canada's exports of grain) have received much publicity in the press but there is also a lot of disenchantment among the business community. The study examines the question whether the grounds for trade between the two nations are primarily economic or political. It is argued that the main reason for trade has been establishment and promotion of better overall relations, i.e., that the primary motivation has been political.

Such a study is needed to clarify the issue of Canadian-Soviet trade. An interdisciplinary approach has been followed to explain politically an economic problem and to serve as a bridge between the two bodies of works, political and economic, available in this area of research.

The study is divided into four main parts which cover: 1) the history of the development of trade and the American influence thereon; 2) technology exchange and licensing agreements; 3) the administration of Soviet trade; and 4) Canadian-Soviet trade in detail. Included in the Appendix is a section examining Alberta-Soviet trade.

Acknowledgement

I would like to thank Dr. T. Yedlin for her guidance and encouragement through the years and for supervising my studies and this thesis. Thanks must also be extended to the Department of Slavic and East European Studies for their constant support, and in particular , the following people: Dr. R.L. Busch- Chairman, Dr. T.M.S. Priestly-Acting Chairman, and the departmental secretaries- Janet Rebalkin, Doreen Hawryshko, and Jean Wilman - who were always helpful and extended their assistance whenever they could.

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Abbreviations and Acronyms

CDRA	Canadian Drilling Research Association
COCOM	Coordinating Committee on Export Control
INDEXAG	Industrial Exchange Agreement. Refers to the Agreement between the Government of Canada and the Government of the USSR on Cooperation in the Industrial Application of Science and Technology.

Soviet Agencies

FTO	Foreign Trade Organization
Gosbank	State Bank
Gosplan	State Committee for Planning
Ingosstrakh	State Foreign Insurance Agency
SCST	State Committee for Science and Technology
Vneshteknika	FTO responsible for foreign technology exchange
Vneshtorgbank	Bank for Foreign Trade
Zagranpostavki	Export Promotion Office

I. Introduction

Expansion of Canadian-Soviet trade has been predicted and anticipated for many years in Canada and, to a lesser extent, the USSR. This study focuses on the period 1964-1980. During this time a number of trade agreements were concluded and there was a greater interaction of business and government leaders than at any previous time. Nevertheless there is much evidence showing a low level of trade during 1964-80. (It averaged less than 1% of total foreign trade of each nation.) The main concern of this study is to determine why this trade has not lived up to its promise. It is argued that foreign trade has been used primarily for political reasons as a means of increasing understanding and promoting better relations between Canada and the Soviet Union, and that the economic basis for trade between the two countries is very small. Thus it is argued that the primary impact of trade negotiations has been political rather than economic. Trade negotiations have led to improved political relations.

Much research has been done on Canadian-Soviet relations in the fields of trade and politics. However, there is no study which combines the two fields to provide a political perspective to what is seen essentially as an economic question. This thesis attempts to fill in this lacuna.

The period following the Second World War was an important time in Canada's history. Nationalism was growing. The country had become a major industrial power, and for a time it was the world's third largest trader.[1] Her military had attained prominence during the War and it was recognized by the major powers as being of consequence.[2] Other countries were more willing to regard Canada as an independent nation with a part to play in world politics. Canada now had experience as an ally of major powers and enjoyed being part of the world fraternity. Her diplomatic representation had expanded from seven countries in 1939 to thirty-six in 1947.[3] Although the term did not sit right with many in the

Canadian government, she had become a *middle* power.[4]

The influence of the United States in Canadian external affairs- both political and economic- can not be overstated. Canada's relations with the rest of the world are significantly affected by the thinking and actions of important segments of the U.S. government and business community. In the case of Canadian trade with the Soviet Union, American influence has played a major role.

The Canadian government perceived its major problems to be mitigation of U.S. economic domination; defense against communist infiltration (the civil service, the labor unions, the RCMP, the Gouzenko affair); promotion of world peace; pursuit of an independent course and high living standards.

It was during the thaw following Stalin's death that the Soviet Union began to emerge from its isolation and to seek trade with the West including Canada. As a country with the second largest territory in the world Canada had an abundance of natural resources. The level of her technology and standard of living were high and she was a modern industrialized nation in every sense of the word. As perceived by the Soviet Union, trade with Canada offered many of the advantages of trade with the United States (and other highly advanced industrial nations). In addition to this Soviet-Canadian relations were perceived by the Soviets as relatively unburdened by the Great Power rivalry and hostility that has marked Soviet-US relations at least since the period of the Cold War. From the Soviet point of view if US sources of advanced technology (and grain) became unavailable because of political developments (e.g. Afghanistan in 1980, the Polish Solidarity crisis in 1981) Canada could step in as one of the replacements for the United States. Accordingly, while singling out in its propaganda the US as imperialist, the Soviet Union has followed a much friendlier and gentler attitude toward Canada.[5] Canadian aspirations to political and economic independence were perceived by the Soviets more as those of a victim than a collaborator of American imperialism.[6]

In addition to the political developments which encouraged trade between Canada and the USSR was the recognition by Canadian and Soviet government leaders of geographic similarities of the two countries. Their size dictates that their geography can be divided into the following geographical areas: tundra, taiga, mixed forests, prairie or steppe, desert, and cordillera. In many cases Canadian regions have more in common with their Soviet counterparts than with each other. Both have an incredible potential of mineral wealth but also have the difficulties of exploiting this wealth. The retrieval of petroleum resources is especially important. Both Canada and the USSR must maintain a continent wide system of roads, railroads, airports, and communications.

The recognition of the many similarities made it possible for the Canadian businessman to focus upon a market for which he had expertise- the taming and exploitation of a cold, inhospitable land. At the same time he could benefit from Soviet know-how in this same area. As early as 1958 Alvin Hamilton, Minister of Northern Affairs and National Resources, when asked in the House of Commons if he was planning a trip to Siberia, remarked that it would be good to learn from other northern countries respecting the opening up of the north and that he was looking at every possibility.[7]

While consumer goods and industrial products that both countries produce have little chance for sales, equipment for the extraction of raw materials do. Some areas of possible trade and technology exchange include exploration of oil in difficult terrain, developing forest-based industries, and in the handling of large volumes of raw minerals such as sulphur, potash, coal, low grade iron, copper, and molybdenum.[8]

The appreciation of geographic similarities between the Soviet Union and Canada was reinforced by Soviet Premier Aleksei Kosygin in May 1971. Both countries have "similar problems in the area of economic development." There are

> considerable possibilies for the exchange of experience in the economic development of large expanses, including the northern zone, and for the solution of such problems as the protection of the natural invironment [sic], the exploitation of power and other

natural resources, and the development of transportation and communications.[9]

From the time of Alvin Hamilton's first mention of a trip to Soviet Siberia it would be many years before technical and commercial exchanges would occur. There would have to be a change in the attitudes of the Canadian and Soviet governments toward each other. As well each country would have to reevaluate its foreign trade policies.

The argument of the thesis is divided into four main chapters. In Chapter Two the post-war discussions of trade between the two countries are examined: the development of policies in favour of trade in both governments from the Cold War to 1980; and the role played by the United States in Canadian-Soviet trade. The attitudes of the Canadian and Soviet governments are analysed according to their statements published in contemporary sources. In Chapter Three the technical and commercial exchange agreements involved in trade with the USSR are discussed with greater attention to the technical and licensing agreements, including the efforts of the Export Development Corporation and the emergence of joint Canadian-Soviet companies. In Chapter Four the structure of the Soviet trade administration is looked at and how it coordinates trade. In Chapter Five the statistical record of Canada's trade with the Soviets is analysed. Included in the Appendix is a more detailed investigation on Alberta-Soviet trade and a case study to demonstrate how trade and technology transfer in the oil industry have worked.

Two books which proved very helpful in the preparation of this thesis are Aloysius Balawyder's Canadian Soviet Relations, 1939-1980 (1981), and Carl H. McMillan's Changing Perspectives in East-West Commerce (1974). The first book provides a good introduction to Canadian-Soviet relations while the latter takes a more detailed approach to the economic relations. Professor McMillan of the Institute of Soviet and East European Studies at Carleton University has written a number of works in this field. In addition, the Institute has published a series of monographs dealing with various aspects of

Canadian-Soviet trade. (These are fully cited in the Bibliography.)

The Debates of the House of Commons are an excellent source for tracing Canadian government attitudes towards the Soviet Union. Current Soviet Policies III (1960), IV (1962), V (1973), and VI (1973), published by the American Association for the Advancement of Slavic Studies (AAASS), is a good source for tracing the Soviet position on relations with Canada. Trade journals such as International Perspectives and International Affairs published by the Canadian government, and the Current Digest of the Soviet Press (also AAASS) document the history of Canadian-Soviet relations.

A very good study of the Cold War is Louis J. Halle's The Cold War as History (1967). Complementing this is The Shaping of Peace: Canada and the Search for World Order 1943-1957 (1979-1982) by John W. Holmes who gives an insider's view of Canada's foreign relations with the world, especially with the United States and the Soviet Union. More detailed analysis of Canadian foreign policy can be found in Canadian Foreign Policy: Options and Perspectives (1971) by Dale Thomson and Roger Swanson, and Canada's Foreign Policy: Analysis and Trends (1978) by Brian Tomlin. For a more informal but colourful look at Canadian foreign policy, particularly towards the United States, two books should be mentioned: Lawrence Martin's The Presidents and the Prime Ministers, Washington and Ottawa Face to Face: The Myth of Bilateral Bliss 1867-1982 (1982), and Richard Gwyn's The Northern Magus: Pierre Trudeau and Canadians (1980).

Of the many statistical sources consulted four deserve special mention. Statistics Canada publishes Trade of Canada, Exports by Countries and Trade of Canada, Imports by Countries. These two break down Canadian foreign trade by province, country, and product group. Vneshniaia Torgovlia SSSR 1922-1981 provides similar information on Soviet trade. Although Soviet statistics must be used with reservations they provide a useful source of information when used with Western sources. World Wheat Statistics, published by the International Wheat Council, is the source of many of the data on wheat used.

End notes

[1]John W. Holmes, The Shaping of Peace: Canada and the Search for World Order 1943-1957, 2 vols. (Toronto: University of Toronto Press, 1979-82), 2: 37-38.

[2]Ibid., p. 8.

[3]F. H. Soward, The Department of External Affairs and Canadian Autonomy, 1899-1939, (Ottawa: Canadian Historical Association, 1965), pp. 13-15; The Canadian Encyclopedia, 3 vols. (Edmonton: Hurtig Publishers, 1985), 1: 609.

[4]Holmes, The Shaping of Peace, 1: 304.

[5]An article, *With Prompting from the CIA* appeared in Izvestiia on 30 December 1965 (see below for location) reporting the efforts of the CIA to wreck relations between Canada and the USSR.What stands out in this article and several others that appeared at this time in Izvestiia and Pravda is the paternalistic tone. They implied that in spite of all the American intrigues the Canadians still do not think ill of the Soviets. See Izvestiia 30 December 1965, trans. Current Digest of the Soviet Press, 17, no. 52 (1966), p. 23. For additional articles see *In USSR Ministry of Foreign Affairs*, Pravda 2 June 1966, trans. Current Digest of the Soviet Press, 18, no. 22 (1966), p. 26; *Provocations for Hire*, Izvestiia 11 December 1966, trans. Current Digest of the Soviet Press, 18, no. 50 (1967), pp. 20-21; and *Spokes in the Wheels*, Izvestiia 30 November 1967, trans. Current Digest of the Soviet Press, 19, no. 48 (1967), pp. 23-24.

[6]Holmes, The Shaping of Peace, 2:385.

[7]Canada, House of Commons, Debates 1 (1958): 406.

[8]Brenton M. Barr, "A Regional Approach to Trade with the Soviet Union: the Case of Canada," in Changing Perspectives in East-West Commerce, ed. Carl H. McMillan (Toronto: Lexington Books, D.C. Heath and Co., 1974), p. 69.

[9]A. N. Kosygin, *Speech*, Pravda, 19 May 1971, trans. Current Digest of the Soviet Press 23, no.20 (1971), p. 19.

II. Development of Trade

In the immediate postwar period Canadian-Soviet relations were restricted to exchange of embassies and participation by the two countries in the United Nations. On both sides there was suspicion and ignorance of the other side's intentions. The Soviet Union tended to ignore Canada and there was an unfriendly attitude in Canada toward the Soviet Union.

From a political perspective there were good reasons for relations to develop. However from the economic perspective this was more complicated. For Canada and the Soviet Union to trade with each other they would have to depart from traditional trading patterns, seek new markets in general, and specifically with each other. This was to be the path that both countries would follow. The first attempts to expand and improve Canadian-Soviet relations occurred in the 1950s. A trade agreement was the catalyst of such expansion. However, it would take many years for relations to evolve noticeably.

Development of trade and its political and economic causes are examined here from three perspectives: 1) Canadian; 2) Soviet; and 3) the interaction of the United States with Canada and the USSR.

A. Development of Pro-Soviet Trade Policies in Canada

Churchill's 1946 *Iron Curtain* speech at Fulton, Missouri, and the Gouzenko spy case in that year had an impact on the attitudes of Canadian politicians toward the Soviets. These attitudes were reinforced in the mid-1950s by McCarthyism and the Cold War as is apparent in the statements of Canadian politicians at that time.[1]

In 1954 John Diefenbaker, then Progressive Conservative MP for the riding of Prince Albert, told the House of Commons in no uncertain terms what he thought of trade with the USSR. He did not trust the Soviets and referred to the USSR in such terms as "perilous possibilities", "repression", and the "tyranny of purges". He viewed trade as a

weapon. "In my opinion there is no more strategic commodity in the world than the production of agriculture, for after all . . . the H weapon of communism in Asia is hunger."[2]

Such statements no doubt contributed to Soviet paranoia concerning the West's intentions.[3] Even timid Canada appeared to have hostile intentions.

George Drew, Leader of the Opposition, had different fears in 1955. Some of the Canadian wheat that had been sold to Eastern Europe was denied its Canadian origins and it was claimed that it was grown in Eastern Europe thus misleading the population into believing that they could feed themselves, and that the West was not helping. Drew did not object to selling wheat to Iron Curtain countries but he wanted Canada, not the ruling party of the importing country, to be recognized as the source of the supply and to receive moral credit for it. He also believed that "there should not be more favourable arrangements with countries beyond the Iron Curtain than with countries friendly with us."[4]

The first comprehensive trade agreement with the Soviet Union was signed in February 1956. There was still, however, some reluctance to dealing with the USSR. Donald D. Carrick, Liberal MP for Trinity, expressed his reservations about the new trade protocol.

> While I welcome the agreement I hope it will not have the effect of lulling us into acceptance of the injustices we know exist in the USSR, and that we may use the better relations that may be established as a means of working toward the removal of those evils.[5]

This reluctance to cooperate with the Soviet Union was further emphasized by Donald M. Fleming, Conservative MP for Eglinton, who pointed out:

> By this agreement it is entirely left to Canadian purchasers to assure themselves if they choose to do so, that the goods they are purchasing from Russia are not goods manufactured by forced labour.[6]

It should be noted that this aversion to trade with the Soviets was not due to partisan

politics. As these last two quotes show, there was a reluctance on both sides of the Floor of the House of Commons. Cold War mentality was a major factor in Canadian foreign policy.

When the Soviet Union tried to break into the Western markets in the late 1950s by offering their exports at below world prices, their attempt was perceived by many in the West as *dumping* and as a *trade offensive*. Whether the trade offensive existed is questionable.[7] However, in the House of Commons there was a great debate on this subject. It was thought by many in the Canadian government that the Soviet Union was dumping its goods on the world market in order to disrupt the economies of the Western democracies. If the Soviets were successful Marxist revolutions would likely occur and the result would be domination by Moscow.[8]

J. W. Kucherepa, Conservative MP for High Park, explained the Soviet trade offensive to the House in early 1960. He did not favour trade with the Eastern bloc and regarded the Soviet trade offensive as an alternative battleground to the ideological struggle which the communists would lose. "With their slave labour and exploitation of the masses" they could undercut Western prices. Economic integration with the communist bloc would spell disaster for any free Western country involved. Kucherepa echoed the views of George Drew and Prime Minister Diefenbaker that "we should do everything possible to expand our trade with the free countries of the world."[9] However, the opinions expressed by Kucherepa and Diefenbaker did not stop the Conservative government from signing in April 1960 an extension to the 1956 Trade Agreement with the USSR.

By the fall of 1963 tensions in the Cold War had somewhat lessened. There was a new Liberal government in Ottawa. Canada, as always, wanted to expand her trade. All political parties were in favour and the 1956 Trade Agreement was extended for the second time in September 1963. In regard to the advancing of long-term credit to communist countries T. C. Douglas, NDP MP for Burnaby-Coquitlam, observed:

> It is important for Canada to extend her trade irrespective of whether the countries with which we trade are communist or not.

> Good trading relations are the basis of good international relations.[10]

Paul Martin, the new Secretary of State for External Affairs, made a statement on policy in the House of Commons on 28 November 1963 which officially recognized a new era in world politics, a new way of doing things, and set down the political reason for trade with the Soviet Union.

> Interdependence is a fact of international life. . . . It will not help if the Soviet leaders continue to feel that the West is totally alien and implacably hostile. Breaking down this dangerous misconception is the political reason behind our encouragement of cultural and other contacts, and it should also be the political reason for our trade with communist countries.
> The government intends to allow non-strategic trade with the communist world to develop.[11]

Mitchell Sharp, Minister of Finance, reiterated Martin's sentiments in 1966 playing down the economic reason for trade:

> There is room for a significant volume of mutually advantageous trade. . . . The multiplication of trading contacts is a positive factor . . . in the totality of relations between the West and Sino-Soviet countries. You do not win friends or influence people by isolating them from the community. [Therefore] the effort should be made to develop trade between East and West and to bring this group of countries to an increasing extent within the community of trading nations.[12]

In 1966, the Canadian government decided to pursue an active policy of rapprochement with the Soviet Union in regards to an intergovernmental agreement on cultural, scientific, technical, and other exchanges.[13] Later, in the year, Paul Martin, Secretary of State for External Affairs, visited Moscow.[14] In the time leading up to Soviet participation in Expo 67 there were several high level exchanges. Progress in the negotiations was interrupted by the Soviet invasion of Czechoslovakia in August 1968. Eventually talks did resume. Soviet Foreign Minister, Andrei Gromyko made an official state visit to Canada in 1969. He was followed in April 1970 by D. M. Gvishiani, deputy chairman of the State Committee for Science and Technology. These meetings provided an impetus to agreement on industrial exchanges.[15] Robert Stanfield, Leader of the Opposition, after a visit to the

USSR, said he believed there was room for Canadian business in the Soviet Union in the fields of pulp and paper, and gas. He had the impression that such interest would be welcome in Moscow.[16] On January 27, 1971 the Agreement between the Government of Canada and the Government of the USSR on Cooperation in the Industrial Application of Science and Technology (henceforth to be referred to as INDEXAG) was signed in Moscow by Jean-Luc Pepin, Minister of Industry, Trade and Commerce and V. A. Kirillin, the Soviet Deputy Premier and Chairman of the State Committee for Science and Technology.[17]

In form INDEXAG was similar to other industrial cooperation agreements that the Soviet Union signed in the 1960s with Western European countries. The agreement which went into effect immediately covered a period of five years and was to be renewed automatically in 1976 for a further five years unless either government gave six months prior notice of termination.[18]

Trade was to continue at a relatively high level but in December 1979 another Soviet invasion, this time of Afghanistan, led to a cooling of East-West relations. Canadian grain deliveries were to continue as agreed upon but Canada announced they would not increase deliveries nor take advantage of the American grain embargo. Grain exports would be neither higher nor lower.[19]

B. Development of Policies Favouring Trade in the USSR

Much of this discussion on Soviet attitudes toward trade with Canada follows the line going from general trade policies with the Western developed countries to specific trade policies with Canada. Soviet trade with Canada did not open up the Soviet market to the West, but rather, Soviet trade with the West opened up trade with Canada.

In 1918-1921 Russian foreign trade almost ceased to exist due to the Allied blockade

instituted following the Russian Revolution of 1917 and the subsequent Civil War. Mindful of the backwardness of his country, Lenin, the new leader of Russia, saw trade with the capitalist world as essential for the modernization of Russian industry. Basically, he wanted to trade raw materials for badly needed machinery. Somewhat defensively, he said in February 1920:

> We don't mind taking their capitalistic locomotives and farming machinery, so why should they mind taking our socialistic wheat, flax and platinum.[20]

It was imperative as well to import consumer goods to satisfy some of the needs of the people due to their state of impoverishment, and to give them encouragement. "Labour productivity will not rise until the workers' condition improves."[21] Another factor in favour of trade, although minor, was the hope that the capitalist governments would be less likely to intervene if it meant the possible loss of their investments and trade concessions.[22]

To attract capitalist investment and expertise Lenin thought that "the granting of concessions [foreign-owned industrial and trading operations located in Russia] under reasonable terms is desirable as one of the means of attracting into Russia during the period of the coexistence of socialist and capitalist states the technical help of the countries which are more advanced."[23] Peace with Estonia in 1920 was seen as opening a window to trade with the West and was emphasized by Lenin.[24] It was during Lenin's New Economic Policy (NEP) in the 1920's that foreign trade started to grow and Soviet trade companies began to operate in the West along with diplomatic links. This was regarded by many orthodox Marxists as a failure for the Bolsheviks. Trade with the capitalist world was proof of the collapse of communism.[25]

Lenin replied with what would become a basic tenet of Leninism and Soviet state ideology. The argument of the critics would have been valid had Russia promised to transform the world on her own. But she did not, and the world revolution had to be supported by the workers of all countries. By cooperating economically with the capitalist

countries the Russian Soviet Republic had gained a material and moral victory over the capitalists.[26] Lenin had another reason for trading with the capitalists. His unpublished notes contain the following Machiavellian thought:

> Capitalists the world over, and their governments, will, in their desire to win the Soviet market, shut their eyes [to Soviet political theory and actions]. . . . They will furnish credits, which will serve us as a means of supporting the Communist parties in their countries and, by supplying us with materials and techniques which are not available to us, will rebuild our war industry, which is essential for our future attacks on our suppliers. In other words, they will be laboring to prepare their own suicide[27]

On 22 April 1918 foreign trade was nationalized and became a *state monopoly* placed under the authority of the People's Commissariat of Trade and Industry. Under the system of *state monopoly* all foreign trade was to be strictly controlled in order to protect the industrialization program. Trade was to be conducted through various types of foreign trade organizations set up under the People's Commissariat of Trade and Industry. To organize its administration a Council of Foreign Trade was formed. A rationale for the Council and the monopoly of foreign trade was given by its creator, L. Krasin, who said: "The Red Army must defend our country against possible military attacks. The monopoly of foreign trade must repulse all economic and financial intervention from abroad."[28]

Fear of dependence on an antagonistic world, stemming from the Allied blockade, provided a strong argument for autarky (economic self-sufficiency). E. A. Preobrazhensky (noted Soviet economist and Marxist theoretician) brought autarky, as general policy, into the forefront of Soviet economic thought during NEP.[29] It was then taken over by L. Trotsky and later by Stalin[30] when it became a part of communist orthodoxy. Foreign goods would be purchased only to alleviate serious shortages, or for investment purposes to speed the development of economic independence. In addition the economic planners were (and continue to be) afraid of the uncertainty which dealing with an unstable outside world would introduce into planning.[31]

Table 1: Wheat Trade (in million metric tons) 1958-80

	Soviet production	Imports	of which Canada	%	Export of Canadian production	% Sold to USSR
1957-58	n.a.	n.a.	.0	0	.0	.0
1958	76.6	.2	.2	87[a]	8.1	2.5
1959	69.1	.0	.0	0	7.5	.0
1960	64.3	.2	.2	100	9.3	2.2
1961	66.5	.0	.0	0	9.9	.0
1962	70.8	.0	.0	0	9.0	.0
1963	49.7	10.0	5.7	57	15.1	38.0
1964	74.4	2.1	.9	44	11.9	8.0
1965	59.7	8.6	5.2	60	14.8	35.0
1966	100.5	2.9	2.7	95	14.8	18.0
1967	77.3	1.5	1.4	89	8.9	15.0
1968	93.4	.1	.1	100	8.7	1.7
1969	79.9	1.1	1.1	100	9.0	12.0
1970	99.7	.3	.3	100	11.6	2.7
1971	98.8	3.4	2.8	83	13.7	21.0
1972	85.8	15.9	4.2	26	15.6	27.0
1973	109.8	4.4	1.6	36	11.7	14.0
1974	83.9	2.8	.3	11	11.2	2.8
1975	66.2	10.2	3.2	31	12.1	26.0
1976	96.9	4.6	1.2	26	12.9	9.2
1977	92.2	6.3	1.7	27	15.9	11.0
1978	120.9	5.6-9.4[b]	1.9	20-33[b]	13.5	14.0
1979	90.2	9.3-10.3[b]	2.1	20-22[b]	15.0	13.7
1980	98.2	13.7-16.0[b]	4.4	27-32[b]	17.3	25.5

Sources: International Wheat Council, World Wheat Statistics (London: 1973-79); Canada Grains Council, Canadian Grains Industry Statistical Handbook 83 (Winnipeg: 1983); United Nations, 1982 Statistical Yearbook (New York:1985); United Nations, Yearbook of International Commodity Statistics 1984 (New York: 1984); FAO, Monthly Bulletin of Statistics (Rome: 1981).

[a]Inaccuracy due to rounding off of figures.

[b]These figures show the range of wheat imports as reported in the above statistical sources.

Following the rise of Stalin most of the foreign trade companies, which were formed during NEP (see p. 12), were disbanded when the Soviet Union retreated into relative isolation in the 1930s.[32] Autarky continued as Soviet policy after the Second World War. The most compelling reason for continuing this policy was the decision of the Council of Ministers on 8 June 1947 concerning state secrets.[33] This decision was so encompassing that the Soviet Union effectively isolated itself from the rest of the world. Only after Stalin's death in 1953 would the USSR start to reopen its doors to the West.

Soviet trade officials, trying to emerge from the autarkic cocoon, were hampered by two statements made by Lenin and Khrushchev. Lenin played down economics and gave aggressive political reasons for trade with the capitalist world. In his unpublished notes (see above p. 13) he stated that the ultimate rationale for Soviet foreign trade was the end of capitalism.

In 1955 Khrushchev told a group of United States senators visiting Moscow : "We value trade least for economic reasons and most for political purposes."[34] This statement, out of context, certainly fitted in with Western conceptions of Soviet economic policy. The stress on political purposes of trade worried the Canadian government. There were fears of a Soviet trade offensive (see above, p. 9) and in 1958 Lester B. Pearson, Leader of the Opposition, quoted Khrushchev's statement in the House of Commons to justify his concern about Soviet motivation.

A trade agreement could be used by the USSR to promote goodwill by ensuring export markets. The producers of exports form interest groups that benefit from low levels of international tension. Canadian experience shows (see Table 1, page 14) that Soviet purchases of Canadian grain did not always follow poor Soviet harvests. From 1963 on the Soviets imported wheat from Canada every year. In some years Canada supplied 100% of Soviet import requirements.

Trade was perceived by the Soviet leadership as a way for the USSR to break out of Stalinist xenophobia and become an active participant in world affairs. Khrushchev made this point in his report at the 21st Party Congress in January 1959. Trade could and should be used as a means for greater world cooperation and to relax international tensions. Therefore the Soviet Union should foster trade with all countries. In short:

> We offer the capitalist countries peaceful competition, and our offer goes beyond the seven-year plan. We are drawing up a long-term plan for USSR development covering 15 years. This plan, too, is based on the principles of peaceful development and peaceful economic competition.[35]

Similar thoughts were repeated at the 22nd Party Congress two years later when Khrushchev stated: "As we see it, a way to improve the international situation is to be found in the further development of businesslike relations with all countries."[36]

In his address to the 23rd Congress in 1966 Premier Kosygin reported on the progress of Soviet foreign trade. The merchant fleet was expanding, regular air routes linked the USSR with 38 countries,[37] and trade with Finland, France, Italy, Japan, Great Britain, and Sweden had risen by over 50% during the seventh five-year-plan (1961-66) just ended. This was proof that "the foreign economic ties of the USSR have become a factor of great international importance that furthers the interests of the struggle for peace and social progress."[38]

Kosygin held out the promise of an increase in trade to the West. He spoke of the possibilities available to Western firms. He stated that "the draft Directives for the five-year plan envisage a further growth of trade with the capitalist countries."[39] The Soviet Union desired stable, mutually advantageous trade relations with the West that could be facilitated by long-term trade and credit agreements.

Attention was also given to science and technology. It was realized that catching up to the West meant aiming at a moving target. A new strategy of *intensive*, economic growth, i.e., growth based on qualitative rather than quantitative sources became popular. It was seen

that more efficient use had to be made of scarce resources. This strategy translated itself into a major drive for raising the levels of technology. The Soviets made substantial purchases of Western licenses.

> The scientific and technical revolution that is taking place in the modern world demands freer international economic contacts. . . . Until recently we underestimated the importance of trade and licences. [In 1965 the USSR acceeded to the Paris Convention on the Protection of Industrial Property recognizing international patent laws.[40]]. . . We can and should take a worthy place in the world license market. In turn, it would be more profitable for us in many cases to buy licenses. . . . The purchase of patent rights abroad will enable us to save hundreds of millions of rubles on research work in the next five years.[41]

The Soviet desire to trade with the West was stressed by Brezhnev and Kosygin at the 24th Party Congress in 1971[42]. In Kosygin's words, the 9th Five-Year-Plan (1971-75) was to:

> expand economically justified foreign trade, scientific and technical relations with industrially developed capitalist countries that display a willingness to develop cooperation with the Soviet Union in these fields.[43]

The growth of Soviet investment in the Western countries (e.g. Nafta Ltd. in Great Britain and Belgium- petroleum marketing; and Amtorg in the United States) suggest a commitment to long-term expansion of economic relations with the developed economies of the world.[44] (See Appendix, pages 91-92 for Canadian examples.) The Soviets were hampered in their foreign trade by the Cold War. (See next section.) They perceived trade with the West as reward for their actions in the political arena. The easing of tensions between East and West encourages an expansion of trade and conversely the abandoning of restrictions on trade should precede improvement of political relations.[45]

The evolution of Soviet policies in favour of foreign trade meant more involvement with the West, including Canada, and the realization of the potential advantages. At a press

conference in Ottawa in the autumn of 1971 Premier Kosygin stated: "We think that our contacts will ultimately lead to the disclosure of new possibilities for the development of Soviet-Canadian cooperation. . . . The USSR and Canada have many similar problems in the field of economic development."[46]

C. American Interference in Canadian-Soviet Trade

Two-thirds of Canada's trade is with the United States. American trade policy is therefore of major importance to Canada. As a result, Canada-United States relations have a direct bearing on Canadian-Soviet trade[47]. In some cases the United States can influence and restrict that trade. Generally Canada's relationship with the Soviet Union parallels the United States-Soviet Union relationship. However, there are times when Canada would like to pursue a middle course.

One way that the United States restricts Canada-USSR trade is through the use of an embargo for military purposes. The North Atlantic Treaty Organization, NATO, was formed in 1949. Later in November 1949 Japan and the countries of NATO (with the exception of Iceland) formed the Coordinating Committee on Export Control, COCOM, to conduct a common embargo policy toward the communist countries of the Soviet Union, Eastern Europe (except Yugoslavia), the People's Republic of China, and Asian communist countries. Cuba is not subject to this policy as only the United States restricts trade with her.[48] In the early years of COCOM (1949-54) when Western Europe was still dependent on the United States for economic assistance, the United States had a major influence in setting the guidelines (a privilege it would later lose).

COCOM is not based on international treaty or law but on agreement and it is up to each member state to regulate itself. There is no enforcement mechanism. The decisions of

the body are therefore only recommendations and not legally binding. Nevertheless members do, as a rule, follow COCOM decisions with exceptions to rulings granted when requested.[49]

The goods controlled by COCOM are divided into three categories or lists: 1) munitions; 2) atomic energy including nuclear reactors, components, and fissionable materials; and 3) industrial-commercial, i.e., items that have both military and civilian uses. Throughout most of the sixties and seventies the number of items controlled has averaged about 153, varying from year to year.[50] The primary criterion for inclusion on the lists has been the possible military use of the item.[51] The first two categories are fairly clear as to what items belong in them. It is in the industrial-commercial category where many disagreements arise. In most cases the *possibility of military use* of an item is debatable and is a subjective decision. What is restricted is not definite and depends upon the item taking into account its military importance or adaptability, world availability, and the economic and political climate at the time.

The question of American leadership in COCOM and the subjective defining of what items belonged in the industrial-commercial category prompted discussion in the House of Commons in early 1955. The Soviet Union had expressed interest in purchasing cargo ships from Canada. Harold E. Winch, CCF MP for Vancouver East, made inquiries of the government as to the export and import policies of Canada in respect to the influence of the United States and Great Britain on them. He wanted to know whether Canada should build cargo ships for the USSR when the Americans regarded them as strategic and restricted under COCOM and Great Britain, Sweden, France, Denmark, and Holland were building them. "I have failed completely to understand why we should follow the United States so slavishly, instead of honestly and sincerely accepting guidance from Great Britain."[52] Winch questioned why Canada was reacting with suspicion against the Soviet Union, a country they were not at war with. In addition, Canada's shipyards were not working to capacity and

could benefit from the extra business.

The Liberal government got around Winch's question by replying that no formal offer had been made by the Soviet Union. In addition, the ships being considered were of a different type from those being built by the Europeans which were not controlled under COCOM.[53]

The interference in Canada-USSR trade was also done through American subsidiaries in Canada and through limitations on the use of American technology, in whole or in part, in exports which are restricted by American law. American owned firms were forbidden to export goods to countries designated by the U.S. Trading with the Enemy Act of 1917 even if there are no Canadian legal restrictions.

The essence of the Trading with the Enemy Act of 1917 was summed up by C. Fred Bergsten, Assistant Secretary for International Affairs, United States Treasury Department in the late 1970s:

> The foreign assets control regulations do not permit US subsidiaries to trade with blocked countries. The transactions control regulations . . . ensure that subsidiaries of American companies in other countries do not deliver arms, munitions, or strategic goods to communist nations except on terms permitted by policies of the North Atlantic Treaty Organization.[54]

The Canadian government protested this extraterritorial application of American laws in several cases and, in some, were successful in obtaining waivers.[55]

Of equal importance to the restrictions imposed by COCOM and the U.S. Trading with the Enemy Act of 1917 were those restrictions voluntarily self-imposed by both U.S. subsidiaries and Canadian firms. This aversion to trade with the Soviet Union was either out of political conviction or from fear of repercussions from the U.S. government or American customers. Bergsten further expressed doubts about the benefits accruing to the United States from interfering in other countries' trading practices. He wrote:

> There is a question of whether the advantage of more effective leverage vis-a-vis the country that is the object of the controls is outweighed by the disadvantage of an irritant in our relations with many friendly countries affected by extraterritorial applications of U.S. controls.[56]

With the shift in U.S. trade policy in the late 1960s and the resulting elimination of many of the differences between U.S. and Canadian regulations concerning trade with the Eastern Bloc these factors have diminished in their restrictive capacity. Today there is concern in Canada that the Americans can restrict trade between Canada and the Eastern Bloc in another way.

Those firms that previously used Canada as a vehicle for business to the Eastern Bloc may now shift operations back to their headquarters in the United States. American multinational corporations may prefer to have their West European subsidiaries trade directly with the Eastern Bloc rather than their Canadian subsidiaries. However, this can work both ways in that American firms, now allowed to trade with the Eastern Bloc, may need Canadian participation on large projects through their subsidiaries or independent native firms.[57]

The interference of the United States in Canadian trade relations was the cause for statements to be made by two of Canada's leaders. Mitchell Sharp, Secretary of State for External Affairs, discussed the problems of Canada-US relations in 1972:

> The Canada-US relationship . . . is in many respects a unique phenomenon. It is by far our most important external relationship. It impinges on virtually every aspect of the Canadian national interest, and thus of Canadian domestic concerns.[58]

Prime Minister Trudeau dismissed American interference as accepted fact saying: "I think that the problem of [U.S.] economic domination is somewhat inevitable. . . . These are facts of life and don't worry me."[59]

Canadian Trade Diversification

In Canada a shift in general trade policy began in the 1950s, a shift away from its traditional trading partner, the United States, toward multilateralism. One part of this shift was trade with the Soviet Union.

The Soviet reorientation towards the West in the 1950s met with a favourable Canadian response. Canada wanted to diversify its trade to counterbalance its trade with the United States and reduce its vulnerability. At the time of the 1956 Trade Agreement with the Soviet Union, Victor Quelch, Social Credit MP for Acadia, suggested in the House of Commons:

> I think also it would be a good thing if we could buy from the USSR some of the things we are now buying from the United States. In that way we might help to reduce our imbalance of trade with that country.[60]

Continuing this trend away from the United States in 1957 Lester B. Pearson, Leader of the Opposition called for a foreign policy which must be "Canadian, based on Canadian considerations, Canadian values and Canadian interests."[61] Such a policy would be influenced by four factors: a) partnership in the Commonwealth; b) membership in the United Nations and; c) in NATO; and d) United States as a neighbour.[62] Following this line Diefenbaker, in the summer of 1958, advocated the idea of diverting up to 15% of imports to the United Kingdom to lessen dependence on the United States.[63]

Two years later when the 1956 Trade Agreement with the Soviet Union was about to be extended, Alan Macnaughton, Liberal MP for Mount Royal, declared:

> There is uncertainty outside of Canada as to the political objectives and as to the trade objectives of this government. The attempt to divert trade to England, for example, on the one hand, yet blaming the United States for not taking more of our exports on the other hand, means that we are riding a hobby horse in both directions.[64]

As can be seen the Canadian government was indecisive about what should be done about trade policy.

Various ideas were put forward throughout the late 1950s and 1960s concerning options in Canada's foreign trade policy and the influence of the United States. (These options are discussed in more depth in Appendix A, p. 75.) Three conclusions can be drawn from these suggestions. The first point is that Canada is a North American country heavily involved with the United States and is vulnerable to American economic policy. The second point is that Canada and the United States can pursue independent foreign policies and still remain on friendly terms. The last point is that however favourable Canada may treat other countries its trade policy should be clearly not anti-United States. Under these terms trade with the Eastern Bloc could be accomodated and therefore encouraged.

D. Summary

There were three key factors in the growth of Canadian-Soviet trade relations. The first was Canada's emergence from the Second World War, its recognition as a world power, and the political arguments for trade with the Soviets. It was shown how the cold war rhetoric of the 1950's changed to the mood of reconciliation in the early 1960's moving towards détente.

The second factor considered was the Soviet Union's break from the policies of autarky imposed by Stalin and its efforts to expand trade with the West. However, trade was still a tool to be used for political purposes.

America's role as the dominant trade partner of Canada and as the defender of democracy was the last factor. The United States was able to control some of Canada's trade with the Soviet Union and this was resented by many in Canada. The result of this domination was Canada's attempts at a third option- first in the late 1950's and then in the late 1960's- early 1970's. Alternate trading partners were sought among whom the Soviet

Union was seen as a possibility.

As a result of these factors a series of trade agreements, protocols, and exchanges were concluded with the USSR in the hope of expanding trade.

End notes

[1]The small size of Canada's trade and diplomatic relations with the Soviet Union limited the amount of attention paid to the Soviets in the Canadian House of Commons. Consequently any discussion on the USSR is covered in this paper. The debates did not necessarily follow party lines or region and therefore the member's party and constituency is included to show this .

[2]In his speech Diefenbaker said:

> I hope and trust that in return for the benefits of the present that are apparent in finding markets for surpluses Canada will not rush into trade with the USSR and will give every consideration to the perilous possibilities inherent in contributing in meeting ferment in the Soviet Union to which the Kremlin has found no better answer than more repression and the tyranny of purges.
> As to the question of trade, I fear that the economic advantages of the present will lure many to believe in the necessity or at least in the attractiveness of trade with the USSR on the assumption that we can restrict the things in which we trade to non-strategic commodities. In my opinion there is no more strategic commodity in the world than the production of agriculture, for after all . . . the H weapon of communism in Asia is hunger.

See Canada, House of Commons, Debates 25 March 1954, 4: 3340.

[3]Louis J. Halle explains in more depth "the fear and hostility that had always dominated Moscow's attitude toward the foreign world that surrounded and enclosed it . . . that were fanatically moved . . . to attempt the destruction of the new Russian state and everything it represented" in The Cold War as History (New York: Harper and Row, 1967), p. 132.

[4]Debates 13 July 1955, 6: 6050-52.

[5]Debates 18 April 1956, 3: 3058.

[6]Ibid., p. 3045.

[7]For both sides of the discussion see *Soviet Union Begins Invading Free World Markets*, Business Week, 5 April 1958, pp. 98-104; and Glen Alden Smith, Soviet Foreign Trade- Organization, Operations, and Policy, 1918-1971 (New York: Praeger Publishers, 1973), pp. 20-24.

[8]Debates, 1960, Mr. Hazen Argue (CCF-Assiniboia), I: 151-52, 1121-22, II: 1351; Mr. Harold E. Winch (CCF-Vancouver East), I: 299; Mr. Louis Fortin (PC-Montmagny-L'Islet), I: 445-46; Mr. J. H. Horner (PC-Acadia), II: 1317; Mr. Lester B. Pearson (Leader of the Opposition), II: 2266; Mr. C. A. Cathers (PC-York North), II: 2274; Mr. C. W. Carter (Lib- Burin-Burgeo), II: 2322; Mr. Alan Macnaughton (Lib-Mount Royal), III: 3065-66; Mr. Samuel Boulanger (Lib- Drummond-Arthabaska), VI: 6060; Mr. E. D. Fulton (Minister of Justice), VII: 6972; Mr. M. D. Morton (PC-Davenport), VII:

7005.

[9]Debates 22 January 1960, 1: 239.

[10]Debates 21 November 1963, 5: 4989.

[11]Debates 28 November 1963, 5: 5195.

[12]Mitchell W. Sharp, Introduction to East-West Trade: A Symposium, ed. Philip E. Uren, Canadian Institute of International Affairs (Lindsay, Ont.: John Deyell Ltd., 1966), p. xv.

[13]L. A. Litvak and C. H. McMillan, *Intergovernmental Cooperation Agreements as a Framework for East-West Trade and Technology Transfer*, in Changing Perpectives in East-West Commerce, ed. Carl H. McMillan (Toronto: Lexington Books, D.C. Heath and Co., 1974), p. 160.

[14]Carl H. McMillan, *Canada's Postwar Economic Relations with the USSR- An Appraisal*, in Canadian-Soviet Relations 1939-1980, ed. Aloysius Balawyder (Oakville, Ont.: Mosaic Press, 1981), p. 135.

[15]Ibid., p. 136.

[16]*Comments by Leader of the Opposition*, International Canada 1 (July/August 1970): 164-65.

[17]McMillan, *Canada's Postwar Economics Relations*, p. 136.

[18]Litvak and McMillan, *Intergovernmental Cooperation*, p. 160.

[19]*Reactions in Canada*, International Canada 11 (January1980): 1.

[20]V. I. Lenin: Collected Works, 45 vols. (Moscow: Progress Publishers, 1960-70), 42: 177.

[21] Ibid, 32: 303.

[22]Alfreds Berzins, The Two Faces of Co-existence (New York: Robert Speller and Sons, Publishers Inc. 1967), p. 16.

[23]V. I. Lenin: Collected Works, 30: 39.

[24]Ibid., pp. 345, 347, 367, 375. For Lenin's support of trade with the West see vols. 31-33, 42, 44.

[25]John Spargo, an American socialist and the author of many anti-Bolshevik books, attacked bolshevism and Lenin in two books published in 1919 and 1920. See Bolshevism: The Enemy of Political and Industrial Democracy (New York: Harper and Brothers Publishers, 1919); and The Greatest Failure in all History: A Critical Examination of the Actual Workings of Bolshevism in Russia (New York: Harper and Brothers Publishers, 1920), especially pp. 280-308, 410-51.

[26]Lenin: Collected Works, 31: 414.

[27]V. I. Lenin quoted in Berzins, The Two Faces of Co-existence, p. 11. These notes were among those writings of Lenin regarding Western Europe and the United States found by Yuri P. Annenkov who was assigned to examine photographic documentation of Lenin's life shortly after his death in January 1924. The validity of Annenkov's copies of these notes has been questioned but Alfreds Berzins feels they are authentic. The contents of these notes were known in Lenin's lifetime and commented on by Stalin and Khrushchev. See pp. 9-11.

[28]Quoted in A. Baykov, The Development of the Soviet Economic System (Cambridge: University Press, 1947), p. 28.

[29]E. A. Preobrazhensky, The Crisis of Soviet Industrialization- Selected Essays, edited with an Introduction by Donald A. Filtzer (White Plains, N. Y.: M. E. Sharpe, Inc., 1979), pp.8-9. After the Scissors Crisis of 1925 Preobrazhensky began to advocate trade with the capitalist countries. See also N. Bukharin and E. Preobrazhensky, The ABC of Communism, trans. Eden and Cedar Paul (London: Communist Party of Great Britain, 1927), pp. 282-283.

[30]P. J. D. Wiles, Communist International Economics (Oxford: Basil Blackwell and Moth Ltd., 1968), p. 187.

[31]H. Stephen Gardner, Soviet Foreign Trade: The Decision Process (Boston: Kluwer-Nijhoff Publishing, 1983), p. 137.

[32]Carl H. McMillan, Direct Soviet and East European Investment in the Industrialized Western Economies, Institute of Soviet and East European Studies, Carleton University, Ottawa, Working Paper no. 7 (1977), p. 3.

[33]Types of information constituting state secrets were anything of a military nature, all types of data concerning the economy, technology, foreign policy and trade not officially published, and anything which was recognized by the USSR Council of Ministers as not subject to disclosure. See *What are State Secrets*, in James H. Meisel and Edward S. Kozera, eds., Materials for the Study of the Soviet System: State and Party Conditions, Laws, Decrees, Decisions and Official Statements of the Leaders in Translation, 2nd ed. (Ann Arbor, Michigan: George Wahr Publishing Co., 1953), pp. 405-7.

[34]New York Times, 13 September 1955, sec. 1, p. 2.

[35]Leo Gruliow, ed., Current Soviet Policies III: The Documentary Record of the Extraordinary 21st Congress of the Communist Party of the Soviet Union, trans. The Current Digest of the Soviet Press (New York: Columbia University Press, 1960), p. 61.

[36]Charlotte Saikowski and Leo Gruliow, eds., Current Soviet Policies IV: The Documentary Record of the Extraordinary 22nd Congress of the Communist Party of the Soviet Union, trans. The Current Digest of the Soviet Press (New York: Columbia University Press, 1962), p. 51. Similar information is also located on pp. 52-53.

[37]Current Soviet Policies V: The Documentary Record of the Extraordinary 23rd

Congress of the Communist Party of the Soviet Union, trans. The Current Digest of the Soviet Press (Columbus, Ohio: American Association for the Advancement of Slavic Studies, 1973), p. 103. Kosygin did not name the countries with regular air routes to the USSR.

[38]Ibid., p. 109.

[39]Ibid., p. 110.

[40]Philip Hanson, *The Import of Western Technology*, in The Soviet Union Since the Fall of Khrushchev, eds. Archie Brown and Michael Kaser (London: Macmillan, 1975), p. 22.

[41]Current Soviet Policies V, p. 110.

[42]Current Soviet Policies VI: The Documentary Record of the Extraordinary 24th Congress of the Communist Party of the Soviet Union, trans. The Current Digest of the Soviet Press (Columbus, Ohio: American Association for the Advancement of Slavic Studies, 1973), p. 25.

[43]Ibid., p. 170.

[44]McMillan, Direct Soviet and East European Investment, pp. 5-6.

[45]Adam Bromke, *East-West Relations: Cold War or Detente?* in East-West Trade: A Symposium, ed. Philip E. Uren, Canadian Institute of International Affairs (Lindsay, Ont.: John Deyell Ltd., 1966), pp. 11-12.

[46]*A. N. Kosygin's Press Conference*, Izvestiia, 24 October 1971, trans. Current Digest of the Soviet Press, 23, no. 43 (1971): 10.

[47]

Foreign Trade as a Percerntage of American GNP

	1950	1955	1960	1965	1970	1975	1980
World	6.7	6.7	7.1	7.0	8.3	13.2	17.5
Canada	1.4	1.5	1.3	1.5	2.0	2.8	2.9

U.S. Bureau of the Census, Statistical Abstract of the United States, 1960-1981.

Although Canada is the United States largest trading partner, the size of the American domestic market insulates itself against the negative effects of foreign trade policies of Canada and other countries.

[48]Abraham S. Becker, ed., Economic Relations with the USSR (Lexington, Mass.: Lexington Books, D. C. Heath and Co., 1983), p. 111.

[49]Ibid., pp. 111-125.

[50]Ibid., pp. 112-113.

[51]Ibid., p. 125. Examples of the kinds of materials subject to control are: general industrial and chemical equipment.

[52]Debates 22 February 1955, 2: 1384.

[53]Ibid.

[54]C. Fred Bergsten, The International Economic Policy of the United States: Selected Papers of C. Fred Bergsten, 1977-79 (Lexington, Mass.: Lexington Books, D. C. Heath and Co., 1980), p. 380.

[55]Dale C. Thomson and Roger F. Swanson, Canadian Foreign Policy: Options and Perspectives (Toronto: McGraw-Hill Ryerson Ltd., 1977), p. 136.

[56]Bergsten,International Economic Policy, p. 382.

[57]Carl H. McMillan, Changing Perspectives in East-West Commerce (Toronto: Lexington Books, D. C. Heath and Co., 1974), p. xxvii.

[58]Mitchell W. Sharp, *Canada-U.S. Relations: Options for the Future*, International Perspectives, Autumn 1972, p. 1.

[59]Richard Gwyn, The Northern Magus: Pierre Trudeau and Canadians (Toronto: McClelland and Stewart, 1980), p. 304.

[60]Debates 18 April 1956, 3: 3050. The annual trade deficits for 1955 and 1956 were $892.9 million and $1343 million respectively.

[61]Robert A. Spencer, *Canadian Foreign Policy- Conservative Style*, Behind the Headlines 18, No. 3 (1958): 14.

[62]Ibid.

[63]Ibid., p. 9.

[64]Debates 8 April 1960, 3: 3065.

III. Canadian-Soviet Cooperation

A. Formulation of Agreements

Ostensibly the agreements signed between Canada and the USSR were for the promotion of trade but the importance of improved diplomatic relations was recognized by both governments. The various agreements and the results each side hoped to achieve are examined in this chapter.

In 1960 the Soviet Foreign Trade Minister, N. S. Patolichev, stated: "We know you have things to sell other than wheat, but that is all we hear about."[1] Canadian products and technology were not well known in the USSR or Eastern Europe. It was hoped that trade and technical exchanges would remedy this problem by popularizing what Canada had to offer. They would also benefit Canadians by exposing them to Soviet advances in areas of mutual interest.

The movement toward an exchange agreement was furthered in 1966 following a trip to the USSR by Robert Winters, Minister of Trade and Commerce, when he reported to the House of Commons on his discussions with Soviet trade officials. He thought there was room for the development of technical exchanges between Canada and the Soviet Union that could benefit both. The better contact between the two states would lead to an increase in knowledge and understanding.[2]

Winters' proposal was in keeping with two agreements signed in 1964 and 1965: the first between Atomic Energy of Canada Ltd. and the Soviet State Committee for Utilization of Atomic Energy for cooperation in the peaceful uses of nuclear energy; and the second between the Department of Energy, Mines and Resources and the Soviet State Committee for Science and Technology for cooperation in the metallurgical sector.[3]

A major step whereby Canada and the USSR recognized complementary industrial objectives was INDEXAG. Prior to this agreement bilateral scientific and technological links were limited to three or four visits by Canadian and Soviet scientists and technicians each

year. In 1976 more than 500 scientists and specialists from both countries participated in exchanges under INDEXAG. For the five year period 1971-1976, a total of 90 delegations were exchanged and 12 bilateral seminars and symposiums were held.[4]

A Mixed Commission was established by the Canadian and Soviet governments under INDEXAG to meet once a year, alternating between Ottawa and Moscow. The co-chairmen were to be the Canadian Minister of Industry, Trade and Commerce, and the First Deputy Chairman of the Soviet State Committee for Science and Technology. In the first five years of INDEXAG the Mixed Commission met regularly.[5] The Commission's purpose was to "examine, review, and confirm programmes" and to make "proposals to facilitate cooperation in special fields."[6] The fields were not specified in the Agreement.

The Commission later determined six industrial areas with an additional two in which cooperative efforts would be concentrated: 1) architecture, building materials, and construction; 2) forest-based industries; 3) nonferrous metals industries; 4) agriculture, agricultural machinery, and processing industries; 5) electrical power industries; 6) oil industry; 7) gas industry; and 8) rail and air transport.[7] Mixed working groups of scientists, technicians, and government officials were established within each of these areas and were an important link between scientific and technological cooperation and trade. By the end of 1971 all six of the original working groups had met either in Canada or the USSR.[8]

The Canadian contingent of each group had a senior government official as co-chairman and usually a majority of its members came from private industry. The Department of Industry, Trade and Commerce coordinated Canadian participation in each group. The Soviet membership was led by a deputy minister from the appropriate industrial ministry and made up of officials from the relevant industrial ministries, including their research and design agencies, and a representative of the Soviet coordinating agency, the State Committee for Science and Technology.[9]

The objectives of INDEXAG were set out only in very general terms. It was to "develop further the friendly relations between the two countries" and "to encourage and develop economic and technical cooperation in the industrial application of science and technology . . . on the basis of mutual benefit and reciprocity."[10] The Canadians saw INDEXAG as a means for the expansion of Canadian exports of manufactured goods to the USSR. On the Soviet side the agreement was seen as extending bilateral relations into new areas of technology transfer and industrial cooperation.[11]

The Agreement was welcomed in the House of Commons in February 1971 by H. W. Danforth, Progressive Conservative MP for Kent-Essex, who also noted that the Soviet Union would take full advantage of the agreement,

> by sending over their experts and students to assimilate, as far as possible, any advantageous information which may have accrued from our development here in Canada. . . . The onus is upon us to see that this interest is reciprocated and that we in turn take full advantage of the opportunities which are granted to us by the Russian government . . . . Anything which can be done to encourage a still greater readiness on the part of the Soviet Union to purchase the commodities we have to offer will work to the great advantage of this country.[12]

The Agreement has allowed Canadian businessmen to visit the appropriate ministry in Moscow, selected factories, and installations to learn of technologies and needs of the end user. In turn Soviet teams of scientists, technicians, and government officials were allowed to visit Canada and carry out similar activities.[13]

In July 1971 the Moscow office of the Department of Industry, Trade and Commerce received and helped 137 businessmen increasing to 142 within the first six months of 1972. In September 1972 Canada participated for the first time in a major trade fair in Moscow. Preparations were started for two more working groups to operate under the Agreement.[14]

In commenting on an earlier trip to the USSR and Yugoslavia the Hon. Alastair

Gillespie, Minister of Industry, Trade and Commerce, on 29 October 1973 reported:

> During the visit, Canadian businessmen associated with the eight working groups set up under the intergovernmental agreement held a large number of meetings, over 80, with their Soviet counterparts. We concluded . . . that there were a number of important specific opportunities already under negotiation that should be continued and, indeed, some of the businessmen of the delegation [of 36] remained in Moscow to carry out this work. There was a general consensus among the members of the delegation that the work of our mission represented an important step forward in Canada-Soviet trade and economic relations.[15]

Under the auspices of INDEXAG were agreements such as those between the Department of Energy, Mines, and Resources and the State Committee on Science and Technology; Atomic Energy of Canada and the State Committee on the Utilization of Atomic Energy of the USSR; and some Canadian universities and the Soviet Ministry of Higher and Secondary Education.[16]

A good example of cooperation in the field of technology was the joint research and development program in oilfield material and equipment, undertaken with Soviet counterparts by the Canadian Drilling Research Association (CDRA). The program involved the testing of Soviet turbodrills in Alberta and Canadian supervision in the drilling of a permafrost test well in the Soviet arctic using Canadian equipment. (See Appendix B, p. 81.)

INDEXAG (signed in January 1971) was the first of a series of comprehensive technology exchange agreements. Another agreement signed in 1971 was the Canada-USSR General Exchange Agreement which contained additional provisions for scientific exchange in such fields as: agriculture, fisheries, wildlife, forestry, water, mining and energy, and northern development.[17] This last area covered problems of building settlements, roads, riverports and seaports, and production and application of new building materials.[18]

Subagreements under the General Exchange Agreement provided for exchanges between the Canadian National Research Council and the Soviet Academy of Sciences,

and between Canadian and Soviet universities. In addition, Polysar Ltd. of Canada (producer of primary synthetic rubber) concluded a scientific-technical cooperation agreement in the field of synthetic rubber with the Soviet State Committee for Science and Technology.[19]

Another important agreement is the Long-Term Agreement between the USSR and Canada to Facilitate Economic, Industrial, Scientific Technical Cooperation signed on 14 July 1976 for a period of ten years and the 1956 Trade Agreement extended at the same time for another five years (see p. 8). The new Long-Term Agreement brought provisions for trade and industrial cooperation under a single, governing Mixed Commission. This new Commission incorporated both the Consultative Commission on Trade established under the 1956 trade agreement and the Mixed Commission (and industrial working groups) set up under the 1971 industrial exchanges agreement.[20]

The Long-Term Agreement coincided with the tenth and eleventh five-year-plans (1976-1980, 1981-1985) and enabled the Soviets to have a stable framework within which large-scale projects could be planned. It also made it possible for the Soviet Ministry of Foreign Trade to reassert its monopoly over external economic relations, both commercial and technical, since it now became the primary implementing agency. (The previous 1971 INDEXAG had been the work of the State Committee for Science and Technology.[21])

Following in this series of agreements was the Long-Term Program of Economic, Scientific and Technical Cooperation between Canada and the USSR signed at Ottawa, 26 October 1978. This further implemented the provisions for technology exchange presented in previous agreements and in particular the provisions of Article VI of the 1976 Long-Term Agreement which in three detailed annexes listed fields for the further development of trade, industrial cooperation, and scientific and technological collaboration.[22]

To what good purpose these agreements have served has been very much debated. Through exchanges of visits, bilateral symposia, and joint consultation and cooperation on specific problems Soviet scientists and engineers have had open access to Canadian

research, technology, and to the corporate infrastructure responsible for commercializing technical innovations.[23] But has this been enough? To Canadians the commercial objective of export promotion has been of prime importance. An official memorandum on INDEXAG states:

> We look on the Canada-Soviet Agreement as a means of promoting Canadian technology in the USSR with a view to developing, first of all, an appreciation of Canadian capabilities and ultimately a market for Canadian capital equipment in the Soviet Union.[24]

Already in October 1973 the effectiveness of these agreements were questioned. Alastair Gillespie made a statement which reflected the view of many Canadian businessmen.

> We would like to see a lot more specific undertakings on the part of Soviet members of the mixed commission. There has been a great deal of exploration but it is time now to sit down and write some business.[25]

Nevertheless Canadian businessmen directly involved in trading with the Soviets felt there had been some improvements. The Soviet foreign trade system had limited direct foreign contact in the past. INDEXAG removed many of the institutional barriers. Canadian businessmen were then better able to identify key decision-makers and to establish personal contact with them due to INDEXAG and the exchanges promoted by it. Soviet capabilities and requirements became better known.[26]

Although there were some positive results of INDEXAG, they have not been spectacular and came only at great expense. (The Drilling Subcommittee was the only group of INDEXAG to sign a protocol with mutual projects to work on. One sale of $9.7 million was made to the Soviets. In turn the CDRA bought the license for the turbodrill but did not exercise it). Efforts to have a more results-oriented approach failed and many Canadian companies and federal departments grew tired of wasting time on the working groups.[27] In reviewing these trade agreements it should be noted that the agreements have usually been encouraged by the Soviet Union. The system of mixed commissions and working groups set up under INDEXAG followed the example of Franco-Soviet agreements. Canadian

investigation of Soviet agreements with other countries found that both the British and French thought they were not worthwhile economically (Britain more so than France) but necessary politically.[28]

INDEXAG did not result in the widespread conclusion of the enterprise-level follow up agreements for industrial cooperation desired by the Soviet Union, nor did it lead to a sudden surge in Canadian exports of machinery and equipment to the USSR. This disappointment prompted the Export Development Corporation, EDC, to make available $500 million in long-term credits to the Soviet Union's Vneshtorgbank (Bank for Foreign Trade) to support the purchase of Canadian capital goods and related services.[29] The credits were to be available for a period of thirty months and be fully competitive with international rates.[30] It was also required that within the first eighteen months approximately half of the loans be committed. Thus was signed the Canada-Soviet Protocol of Agreement on the Financing of Canadian Capital Goods, Equipment and Services at Ottawa 9 May 1975, and extended to 30 September 1979.[31]

The purpose of the EDC credits was to provide long-term financing to Eastern importers of Canadian products which met certain requirements. Size was one such condition and the contracts were usually over $500,000. The credit did not sell the product but rather put the seller in a more favourable position.[32] The total dollar sum of deals finalized with the help of the EDC during the period 1975-1980 amounted to approximately $255 million, a not inconsiderable amount.[33]

B. Joint Canadian-Soviet Trading Companies

Number, variety, and geographical location of Soviet and East European direct investment in the West have dramatically increased since the 1960s paralleling the growth of East-West trade. There are fewer trading and investing restrictions and Eastern companies

have been allowed to invest directly by means of wholly-owned or jointly-owned companies in a wide variety of businesses. The same is not true with western investment in the Soviet Union and Eastern Europe. With few exceptions (Romania, Hungary, and Poland) only company representatives are allowed to establish offices. Direct investment in equity is not permitted.[34]

Traditionally, socialist countries use official trade delegations or foreign agency companies to conduct their trade. Organizations like Amtorg Trading Corporation in the United States which are wholly-owned Soviet trading companies have been the exception. This situation has changed. Management of socialist foreign trade enterprises have decided that it is necessary to establish their own representative offices, and also branches and subsidiary companies.[35]

The type of organization usually formed is the joint-stock company established under the host country's laws though investment in existing companies does occur. This is a legally separate entity apart from the parent organization. Although a partnership, the Eastern partner usually holds the majority of the shares and hence directorship. The Western shareholders hold a minority interest which is often minimal but they are there for a number of reasons. They are Western business people and know how to manage the company following Western business practices and are no strangers to the idea of maximizing profit. With local restrictions placed on Eastern nationals regarding travel and residence, the company can still be run effectively.[36]

There are other benefits. Local laws are followed regarding minimum staffing levels by local personnel and inclusion in managerial positions. The partnership helps to allay public hostility and suspicion left over from the Cold War. It reduces the amount of hard currency required. For example, the host country provides the buildings or plant while the Eastern partner provides the machinery to run the plant or the commodity to be sold.[37] Complementarity of Canadian and Soviet economies in primary products dictates that

expansion of trade occurs mainly in manufacturing, especially in machinery and equipment related to their natural resource similarities.[38]

There are opportunities for the Soviets in the Canadian market in which they have been granted most-favoured-nation status (granted in 1956) with no special quantitative restrictions on their products. These opportunities have not been taken advantage of by the USSR due to the ineffectiveness of their trading agencies. This is one reason why Soviet manufacturers are turning more and more to entering joint ventures with local firms or established subsidiaries for the assembly, marketing, and servicing of their products.[39] The poor quality of Soviet manufactured goods seems to be less of a deterrent. The problems of Soviet exporting were pointed out at the 23rd Party Congress (1966) by Kosygin who emphasized that the quality of exports had to be raised and the marketing improved. "It is particularly impermissible to tolerate."[40]

A welcoming signal for Soviet investment came in 1956 during the discussion in the House of Commons on the Trade Agreement. W. Ross Thatcher, CCF MP for Moose Jaw-Lake Centre, was in favour of the Treaty and pointed out:

> If [the Soviets] really want to increase their trade under this agreement . . . I think they might consider making certain investments in Canada. Generally speaking, trade follows investments.[41]

Thatcher's comment had a Soviet response sixteen years later in an interview of Soviet Deputy Premier N. Tikhonov. (The time span is indicative of the slowness with which Canadian-Soviet trade progressed.) Tikhonov, in response to a question on trade replied that there were "large untapped opportunities" and that he thought "mutually advantageous trade . . . could be facilitated by setting up joint Soviet-Canadian commissions for sales and servicing of Soviet equipment and machines in Canada, organizing exhibitions of Soviet equipment, etc."[42]

The outcome of these efforts has been the establishment in Canada of three joint

Canadian-Soviet trading companies and two wholly-owned Soviet companies between 1971 and 1980. These companies are: EMEC Trading Ltd.; Morflot Freightliners Ltd.; Socan Aircraft Ltd. (dissolved in 1976); Belarus Equipment of Canada Ltd.; and Stan-Canada Machinery Ltd. Of these companies, three had Canadians as chief executive officers and the other two had Canadian directors and/or vice-president. All the companies, with the exception of Socan, were able to achieve sales of over $ 1 billion by 1985.[43] (For additional information on these companies see Appendix E.)

C. Summary

Canadian-Soviet cooperation has been expressed in terms of technical and commercial agreements and by the formation of joint-stock companies. The agreements and companies developed steadily over this period. However, as Kosygin pointed out (p. 38), the USSR has problems in marketing its exports through its trading agencies.

End notes

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[2]Canada, House of Commons, Debates 27 June 1966, 7: 6853.

[3]Carl H. McMillan, *Canada's Postwar Economic Relations with the USSR- An Appraisal*, in Canadian-Soviet Relations 1939-1980, ed. Aloysius Balawyder (Oakville, Ont.: Mosaic Press, 1981), p. 135.

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[7]McMillan, *Canada's Postwar Economic Relations*, pp. 166-167.

[8]Murray Goldblatt, *Canadian-Soviet Bilateral Ties: the Record and the Prospects*, International Perspectives, January/February 1972, p. 21.

[9]Litvak and McMillan, *Intergovernmental Cooperation*, p. 161.

[10]Ibid.

[11]McMillan, *Canada's Postwar Economic Relations*, p. 136.

[12]Debates 4 February 1971, 3: 3058.

[13]O. Silverman, *Technology Agreement Stimulates Trade*, Canada Commerce, 136 (December 1972): 9.

[14]R. H. Gaynor, *The USSR: The Rewards for Patience are Great*, Canada Commerce, 136 (December 1972): 4.

[15]Debates 29 October 1973, 7: 7289.

[16]*Agreement on Co-operation in Science and Technology*, International Canada, 2 (January 1971): 10.

[17]Goldblatt, *Canadian-Soviet Bilateral Ties*, pp. 21-22.

[18]*Soviet-Canadian Ties*, Pravda, 22 October 1971, trans. Current Digest of the Soviet Press, 23, no. 42 (1971): 20.

[19]Litvak and McMillan, *Intergovernmental Cooperation*, p. 160.

[20]McMillan, *Canada's Postwar Economic Relations*, p. 167.

[21]Ibid., pp. 137, 139.

[22] McMillan, *Canada's Postwar Economic Relations*, pp. 138-139.

[23]Litvak and McMillan, *Intergovernmental Cooperation*, p. 162.

[24]Memorandum issued by the Office of Science and Technology, Department of Industry, Trade and Commerce, 13 July 1972, p. 2, cited in Litvak and McMillan, *Intergovernmental Cooperation*, p. 164.

[25]Globe and Mail, 13 October 1973, p. B1.

[26]Litvak and McMillan, *Intergovernmental Cooperation*, p. 164.

[27]J. Peter Meekison, Deputy Minister, Federal and Intergovernmental Affairs, Memorandum to Lou Hyndman, Minister, Federal and Intergovernmental Affairs, 17 November 1978, Acc. No. 84.310, Box 8, APA, p. 3.

[28]Helmut Mach, Director, Alberta Business Development and Tourism, Memorandum, 11 October 1978, Acc. No. 84.310, Box 3, APA, p. 1.

[29]McMillan, *Canada's Postwar Economic Relations* , p. 137; David St. Charles, *Canada and the USSR, Part I*, Soviet Business and Trade, 4 (17 March 1976): 4.

[30]Debates 12 May 1975, 6: 5679; Hannigan and Morgan, Options for Canadian Firms, p. 83.

[31] McMillan, *Canada's Postwar Economic Relations*, p. 138.

[32]John Hannigan and Bruce Morgan, Options for Canadian Firms in East-West Trade, Institute of Soviet and East European Studies, Carleton University, Ottawa, East-West Commercial Relations Series, Working Paper no. 8 (1978), p. 60.

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[34]Carl H. McMillan, Direct Soviet and East European Investment in the Industrialized Western Economies, Institute of Soviet and East European Studies, Carleton University, Ottawa, Working Paper no. 7 (1978), pp. 1-2.

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[36]Ibid.

[37]Ibid., p. 4.

[38]Carl H. McMillan, Introduction to Changing Perspectives in East-West Commerce, ed. by Carl H. McMillan (Toronto: Lexington Books, D. C. Heath and Co., 1974), p. xxv.

[39]Litvak and McMillan, *Intergovernmental Cooperation Agreements* , p. 162.

[40]Current Soviet Policies V, p. 110.

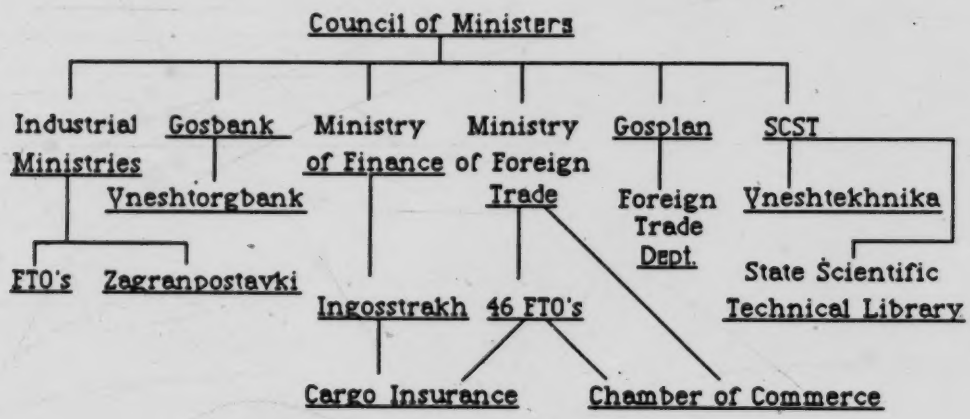
[41]Debates 18 April 1956, 3: 3051.

[42]Nikolai Tikhonov, N. Tikhonov: Selected Speeches and Writings (Oxford: Pergamon Press, 1982), p. 296.

[43]R. Bruce Morgan, ed., Directory of Soviet and East European Companies in the West, East-West Project, Carleton University, Ottawa (1979), pp. 202-204; McMillan, Direct Soviet and East European Investment, pp. 50-51, 56-57, 61-62; Dun and Bradstreet, Canadian Key Business Directory, 2 vols., (Toronto: Dun and Bradstreet, 1985), 1: 1024, 1097, 1252; 2: 1137.

IV. Soviet Trade Administration

The Soviet foreign trade administration is very large and cumbersome and hence it creates problems in Canadian-Soviet trade. However some of its officials come into contact with representatives of Western companies on a regular basis and provide more communication on more levels than could otherwise be done through purely diplomatic channels. The Soviet trade administrative apparatus is therefore useful for creating bonds between Canada and the Soviet Union person-to-person and industry-to-industry.



'|' indicates subordinate agency
' / ' and ' \ ' indicate connected association

There are five main administrative bodies which have a role in directing Soviet foreign trade with the West. They are: 1) the Foreign Trade Department of Gosplan (the State Committee for Planning); 2) the Ministry of Foreign Trade; 3) the Ministry of Finance; 4) Gosbank (State Bank); and 5) the State Committee for Science and Technology. Each will be examined in turn.[1]

Gosplan coordinates the plans for all of the other central and operative agencies and is responsible for the allocation of the most important products and resources, especially

investment resources.[2] The Foreign Trade Department of Gosplan works out the export and import plans in cooperation with the Ministry of Foreign Trade.[3] In particular it is responsible for the compilation of the various trade and payment plans and has subdivisions which handle the following: the export and import of specific product groups; foreign exchange; summary economic accounts; economic efficiency; and development of the export base.[4]

The Ministry of Foreign Trade is the main body which administrates foreign trade. It compiles first drafts of foreign trade plans and has a virtual monopoly, with few exceptions, on foreign trade. Its Foreign Trade Organizations (FTOs) exercise almost exclusive control over imports and exports of goods assigned to it.[5]

The Ministry of Finance monitors the foreign trade balance of payments. Through Ingosstrakh (State Foreign Insurance Agency) it provides cargo insurance to FTOs. Gosbank used to be part of the Ministry of Finance but is now independent. The bank controls foreign exchange and sets the exchange rate of the ruble. International banking services are performed through its subsidiary Vneshtorgbank (Bank for Foreign Trade).[6]

The State Committee for Science and Technology (SCST) is responsible for the supervision and coordination of all scientific and industrial research and development in the USSR and for the introduction of new technologies into industry. Major projects are organized and financed by this committee. It plays a key role in dealing with foreign purchases and sales of patents and licenses, technology exchanges, and research through its own FTO, Vneshtekhnika, (State Committee for Science and Technology) which was established in 1967.[7] The State Scientific Technical Library system is a part of SCST and disseminates technical information, including information on the products of Western companies to 82 industrial branches, 15 republic divisions, regional centres and, to 10,000 information bureaux.[8]

One other organization that Canadian exporters have contact with is the USSR

Chamber of Commerce which works closely with the Ministry of Foreign Trade and the FTO's to promote foreign trade. Its most important functions are sponsoring incoming trade missions, staging trade fairs, providing introductions to user ministries, assisting in patenting foreign inventions in the USSR, and providing other services such as translation.[9]

The Foreign Trade Organization is the body which does the actual trading and signs the contracts with foreign parties. Depending on the agency for which it works, the role of the FTO varies. In 1980 there were 64 FTOs, 46 subordinate to the Ministry of Foreign Trade. Of these, 28 were authorized to export and import a specific group of commodities; 6 could export only specified goods; 5 could only import; 4 provided services related to foreign trade; and 3- Dalintorg (Far Eastern Trade Bureau), Lenfintorg (Leningrad-Finland Trade Bureau), and Vostokintorg (Eastern Trade Association)- carried out general trade with border countries. Apart from the Ministry of Foreign Trade, 11 FTOs were under the State Committee for Foreign Economic Relations, and 7 belonged to other ministries, state committees, and organizations.[10]

A few industrial ministries and their subordinate enterprises and associations have their own foreign trade organizations and can trade directly with foreign businesses. Several others have a voice in negotiations through their Zagranpostavki, Export Promotion Offices. Some agencies can trade through their own FTOs including the various transport ministries; Tsentrosoyuz, the Central Union of Consumer Cooperatives, which trades in consumer goods through its FTO, Soyuzkoopvneshtorg, the Cooperative Union for Foreign Trade; the Chamber of Commerce and Industry, with its FTOs, Expotsentr, Centre for International Exhibitions and Sovintsentr, Moscow Centre for International Trade; and the State Committees for Publishing with its FTO, Vneshtorgizdat, Foreign Publishing House; and Cinematography, Soveksportfilm, Soviet Film Exporting Agency.[11]

Depending on how a commodity is shipped, ie., alone or as part of a plant, it can be exported by different FTOs. An example of this is licenses for technology transfer which can

be traded by Litsenzintorg (Ministry of Foreign Trade), by Vneshtekhnika, or by other FTOs when license sales are part of the sale of equipment.[12]

The Soviet trade administration can also cause problems. Their enterprises generally lack the autonomy to participate effectively in cooperative ventures with Western firms. A joint project may involve the jurisdictions of more than one production ministry and may therefore be subject to bureaucratic disputes and delays. Soviet secretiveness frequently makes it difficult for foreign scientists and engineers to visit production sites and research facilities to acquaint themselves adequately with the Soviet technical infrastructure. In turn, Soviet specialists are often not permitted to spend the necessary time abroad to exchange the technology required for the realization of joint projects.

Regional loyalties are never far below the surface and tend to hamper achievement of economic efficiency in the location of productive forces because local leaders frequently place their own area's goals and interests ahead of those of the entire country. Local leaders may be inclined to recommend policies, technology, and solutions that best suit their own aims. Local party administrators are judged partly according to the economic performance of their region. Therefore they have a vested interest in helping local industries. There may be a conflict involving both Party and State officials.[13]

Soviet planning agencies often follow well-defined policies which may overlap and cause rivalry. An example of institutional rivalry is that between the industrial ministries which want more direct access to the foreign market, and the Ministry of Foreign Trade which guards its authority under Lenin's decree of 22 April 1918 giving it the monopoly on foreign trade.[14] Other rivalries include: the Ministry of Foreign Trade and the State Committee for Foreign Economic Relations; the Ministry of Finance and Gosbank; and Gosplan, Gosnab (the State Committee for Material and Technical Supply), and the State Committee for Science and Technology.[15]

The problem of regional loyalties was addressed at both the 23rd (1966) and 24th (1971) Party Congresses. In 1966 Kosygin censured the workers in FTOs because they "shut themselves up in their own sphere."[16] At the 1971 Congress he again pointed out the necessity

> for the personnel of the planning agencies, foreign trade organizations and industry to approach the question of the development of foreign economic ties from the position of their effectiveness for the national economy as a whole, not from the position of an individual department.[17]

End notes

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[3]*The USSR: Tough but Lucrative*, p. 21.

[4]Gardner, Soviet Foreign Trade, p. 38.

[5]*The USSR: Tough but Lucrative*, p. 21.

[6]Gardner, Soviet Foreign Trade, p. 3.

[7]Ibid.

[8]*The USSR: Tough but Lucrative*, p. 21.

[9]Ibid.

[10]Gardner, Soviet Foreign Trade, p. 4.

[11]Ibid.

[12]Ibid., p. 5.

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[16]Current Soviet Policies V: The Documentary Record of the Extraordinary 23rd Congress of the Communist Party of the Soviet Union, trans. The Current Digest of the Soviet Press (Columbus, Ohio: American Association for the Advancement of Slavic Studies, 1973), p. 110.

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V. Quantitative Dimensions of Trade

Up to this point, much evidence has been presented showing the amount of effort that had been put forth by both Canada and the USSR to promote trade. In this chapter the results are analyzed. Trade statistics of the period 1950-1980 have been juxtaposed with the trade agreements, pronouncements, etc. in order to provide a clearer understanding of Canadian-Soviet trade.

On 29 February 1956 C. D. Howe, Minister of Trade and Commerce, announced in the House of Commons the signing of a trade agreement with the Soviet Union. The agreement provided for the exchange of most-favoured-nation status and the non-discriminatory treatment of merchant ships while in port. The accord was to be in force for three years with the requirement of both countries' agreement for any extension. Canada reserved the right to establish values for ordinary and special import duty on any Soviet product that "might enter Canada in such increased quantities as to cause serious injury to domestic producers." More importantly, the USSR guaranteed "to purchase and take delivery from Canada during the three years of the agreement a total of between 1,200,000 and 1,500,000 tons of wheat" at the same prices and terms which Canada sells to its other major customers.[1]

Howe commented on the agreement saying:

> It is reasonable to expect that there will be at least some continuing basis for Russian purchases of wheat from this continent, even if that country should not be short of grain. From the point of view of transport, it is cheaper to ship wheat across the Pacific to far eastern ports of the USSR than to ship it overland from the major wheat growing areas in western Russia.[2]

(Shipments of grain to the Soviet Far East averaged around 30-40 % of the grain sales to the USSR in the seventies.[3]) Regarding the future of trade, Howe said there was a willingness to trade by both parties but "to a very large extent, Canada and the USSR export similar

Table 2: Canadian Trade Turnover with the USSR, in Millions of 1971 dollars[1]

	Imports	Exports Non-Grain	Exports Grain	Total Exports	Non-Grain Turnover	% Δ	Total Turnover	% Δ
1955	.9	4.0	0.0	4.0	4.9	-	4.9	-
1956	1.5	1.3	34.5	35.8	2.8	-43	37.3	661
1957	4.0	2.3	12.8	15.1	6.3	125	19.1	-49
1958	2.3	3.0	23.1	26.1	5.3	-16	28.4	49
1959	3.1	2.5	14.7	18.2	5.6	6	20.3	-29
1960	4.3	11.0	0.0	11.0	15.3	183	15.3	-25
1961	3.6	15.1	17.3	32.4	18.7	22	36.0	135
1962	2.4	4.3	0.0	4.3	6.7	-64	6.7	-81
1963	3.0	3.2	191.2	194.4	6.2	7	197.4	2846
1964	3.6	5.5	396.4	401.9	9.1	32	405.5	105
1965	12.3	10.3	234.9	245.2	22.6	148	257.5	-36
1966	14.0	4.9	379.1	384.0	18.9	-16	398.0	55
1967	26.6	10.6	138.2	148.8	37.2	97	175.4	-56
1968	24.1	6.1	92.4	98.5	30.2	-19	122.6	-30
1969	13.1	7.1	2.5	9.6	20.2	-33	22.7	-81
1970	9.4	15.4	89.1	104.5	24.8	23	113.9	402
1971	12.6	15.4	112.2	127.6	28.0	13	140.2	24
1972	14.5	17.1	254.6	271.7	31.6	13	286.2	104
1973	20.4	5.1	252.8	257.9	25.5	-19	278.3	-3
1974	18.5	15.0	9.5	24.5	33.5	32	43.0	-85
1975	20.8	40.4	262.0	302.4	61.2	83	323.2	652
1976	37.1	52.9	316.0	368.9	90.0	47	406.0	26
1977	35.3	43.9	178.6	222.5	79.2	-12	257.8	-37
1978	22.0	128.3	195.3	323.6	150.3	90	345.6	34
1979	33.5	180.9	223.6	404.5	214.4	43	438.0	27
1980	28.3	164.8	564.0	728.8	193.1	-10	757.1	73
Mean of % change						29.28		187.24
Standard deviation						61.25		577.29
Coefficient of variation						2.09		3.08

Sources: Canada, Statistics Canada, Trade of Canada. Exports by Countries, 1955-82.
Trade of Canada. Imports by Countries, 1955-82.
Consumer Prices and Price Indexes, 1975-82.
Prices and Price Indexes, 1960-75.

[1] All dollar figures were adjusted for inflation using the 1971 Canadian dollar as the unit of measurement.

Table 3: Canadian Trade Turnover with the USSR, U.S.A., and the World in Millions of 1971 dollars[1]

	USSR	% Δ	USA	% Δ	TOTAL Grain[2]	TOTAL Non-Gr	% Δ	TOTAL WORLD	% Δ
1955	4.9	-	8,892.8	-	1623.2	11,681.8	-	13,305.0	-
1956	37.3	661	10,175.5	14	2859.0	13,034.5	12	15,298.7	15
1957	19.1	-49	9,697.9	-5	1655.1	13,122.3	1	14,777.4	-3
1958	28.4	49	8,827.5	-9	1767.1	12,038.4	-8	13,805.5	-7
1959	20.3	-29	9,253.8	5	1678.6	12,668.3	5	14,346.9	4
1960	15.3	-25	8,908.2	-4	1488.6	12,964.0	2	14,452.6	1
1961	36.0	135	9,295.0	4	2089.6	13,275.2	2	15,364.8	6
1962	6.7	-81	10,418.8	12	1867.9	14,517.2	9	16,385.1	7
1963	197.4	2846	10,636.0	2	2318.4	14,983.0	3	17,301.4	6
1964	405.5	105	12,004.3	13	2934.0	16,890.6	13	19,824.6	15
1965	257.5	-36	13,522.1	13	2451.2	18,863.3	12	21,314.5	8
1966	398.0	55	15,764.4	17	2889.1	20,987.5	11	23,876.6	12
1967	175.4	-56	17,451.7	11	2077.6	23,571.9	12	25,649.5	7
1968	122.6	-30	19,967.7	14	1707.3	26,747.1	13	28,454.4	11
1969	22.7	-81	21,803.2	9	1186.7	29,242.6	9	30,429.3	7
1970	113.9	402	21,190.0	-3	1722.6	29,597.4	1	31,320.0	3
1971	140.2	24	22,632.2	7	2111.8	30,885.1	4	32,996.9	5
1972	286.2	104	25,197.9	11	2258.0	34,161.8	11	36,419.8	10
1973	278.3	-3	29,377.6	17	2724.0	39,837.8	17	42,561.8	17
1974	43.0	-85	33,588.4	14	3930.2	46,457.5	17	50,387.7	18
1975	323.2	652	32,169.9	-4	3905.9	44,315.3	-5	48,221.2	-4
1976	406.0	26	34,177.5	6	3361.4	46,808.6	6	50,170.0	4
1977	257.8	-37	37,313.2	9	2876.7	50,394.6	8	53,271.3	6
1978	345.6	34	40,935.7	10	2847.7	55,269.1	10	58,116.8	9
1979	438.0	27	46,553.7	14	2990.5	63,465.7	15	66,456.2	14
1980	757.1	73	45,319.6	-3	4225.6	63,928.8	1	68,154.4	3
Mean of % change		187.24		6.96			7.24		6.96
Standard deviation		577.29		7.70			6.51		6.21
Coefficient of variation		3.08		1.11			0.90		0.89

Sources: Canada, Statistics Canada, Trade of Canada, Exports by Countries, 1955-82.
Trade of Canada, Imports by Countries, 1955-82.
Consumer Prices and Price Indexes, 1975-82.
Prices and Price Indexes, 1960-75.

[1] All dollar figures were adjusted for inflation using the 1971 Canadian dollar as the unit of measurement.

[2] Canadian grain exports are taken to be the same as grain turnover.

things. The potentialities of trade, while valuable we hope to both countries, would seem to be fairly limited."[4]

Table 2 (p. 50) shows a jump of 661 % in the turnover (exports plus imports) of Canadian-Soviet trade between 1955 and 1956. This is a very impressive figure; however, it was due almost entirely to the Soviet commitment to purchase Canadian wheat. The turnover of non-grain trade actually shows a drop of 43%. In that year Canada-World trade increased 15% (see Table 3, p. 51) while Soviet-World trade rose 11% (see Table 6, p. 57).

The renewal of the 1956 trade agreement took the Conservative government some time. Questions regarding it were constantly being put forth in the House of Commons by the Liberal Opposition and were only answered on 12 July 1960 when Gordon Churchill, Minister of Trade and Commerce, reported the signing of the protocol renewing the agreement.

The new agreement was basically the same as the previous one but with two added provisions. Canada agreed to import half the value of her exports to the USSR, and the USSR was to buy up to $25 million of goods including not less than 200,000 metric tons of Canadian wheat annually.[5] The provision that Canada had to import a specified percentage of exports was attacked by the Opposition. They wanted a higher, noncommittal ratio as in the previous Liberal agreement.[6] However Churchill replied by saying that ". . . the terms of the agreement are better than those offered by the USSR to any other country."[7]

Following the renewal of the agreement in 1960, Canadian-Soviet trade developed as follows. No grain was sold to the USSR in 1960 (1959-60 crop year) however non-grain exports grew 4.4 times compared to the previous year (see Table 2, p. 50). In 1961 Canada's non-grain exports were 4.2 times larger than Soviet exports to Canada and if grain is included they were 9 times larger. This was due to Canada not giving a *commitment* to purchase from the Soviet Union, but rather *allowing* the purchase by private business.[8]

Table 4: Canadian Trade Turnover with the USSR, U.S.A., and the World in Millions of 1971 dollars*; % of Total Trade

	USSR		USA
	Non-grain	Total	
1955	.03	.04	66.8
1956	.02	.24	66.5
1957	.05	.13	65.6
1958	.04	.21	63.9
1959	.04	.14	64.5
1960	.12	.11	61.6.
1961	.14	.23	60.5
1962	.05	.04	63.6
1963	.04	**1.14**	61.5
1964	.05	**2.05**	60.6
1965	.12	**1.21**	63.4
1966	.09	**1.67**	66.0
1967	.16	.68	68.0
1968	.11	.43	70.2
1969	.07	.07	71.7
1970	.08	.36	67.7
1971	.09	.42	68.6
1972	.09	.79	69.2
1973	.06	.65	69.0
1974	.07	.09	66.7
1975	.14	.67	66.7
1976	.19	.81	68.1
1977	.16	.48	70.0
1978	.27	.59	70.4
1979	.34	.66	70.1
1980	**.30**	**1.11**	66.5

Sources: Canada, Statistics Canada, Trade of Canada, Exports by Countries, 1955-82.
Trade of Canada, Imports by Countries, 1955-82.
Consumer Prices and Price Indexes, 1975-82.
Prices and Price Indexes, 1960-75.

* All dollar figures were adjusted for inflation using the 1971 Canadian dollar as the unit of measurement.

Churchill explained: "The new arrangements provide a favourable framework for the traders and trading organizations of the two countries to establish and expand their business relationships."[9] As a service to Canadian businessmen, a commercial counselor was assigned to the Canadian Embassy in Moscow.[10]

The first large-scale Soviet purchase of Canadian wheat took place in 1963 with a sale of 5.7 million metric tons.(See also Table 1, p. 14.) This can be seen from Table 2 (p.50) which shows an increase of Canada's exports of $190.1 million above 1962. Grain exports amounted to $191.2 million compared to zero in 1962. Grain sales more than doubled in 1964 reaching $396.4 million. From 1963 on a trend was established which continues with few exceptions through the period ending in 1980. Grain exports averaged $323.4 million per year (not including the years 1969 and 1974 when grain exports were only $2.5 million and $9.5 million respectively.) The period 1963-66 is notable in that Canadian-Soviet trade exceeded one percent of Canada's total world trade. This did not occur again until 1980 (see Table 4, p. 53).

The Canada-USSR trade agreement was renewed in 1963 and again in 1966. The 1963 agreement did not differ in any significant way from the 1960 protocol. The 1966 agreement differed from the earlier ones in that it did not include a Soviet commitment to buy Canadian wheat. Instead, a separate direct agreement was signed between the Canadian Wheat Board and Exportkhleb (Soviet Wheat Exporting Organization) for Soviet purchases of a specified quantity of Canadian wheat (nine million tons) over the three years ending in July 1969.[11]

The fourth extension of the trade agreement was announced on 3 March 1970 to last until 1972. The signing followed a disastrous year for the Canadian farmer. Grain exports to the Soviet Union declined drastically in 1969 to $2.5 million, a drop of $90 million from the previous year (see Table 2, p. 50) and the World to $1,186.7 million, a drop of $520.6 million (Table 3, p.51). This followed several years of good Soviet harvests (see Table 1,

Table 5: Canadian Non-Grain Trade with the USSR and the World in Millions of 1971 dollars*

	USSR	%Δ	World	%Δ
1955	4.9	-	11,681.8	-
1956	2.8	-43	13,034.5	12
1957	6.3	125	13,122.3	1
1958	5.3	-16	12,038.4	-8
1959	5.6	6	12,668.3	5
1960	15.3	183	12,964.0	2
1961	18.7	22	13,275.2	2
1962	6.7	-64	14,517.2	9
1963	6.2	7	14,983.0	3
1964	9.1	32	16,890.6	13
1965	22.6	148	18,863.3	12
1966	18.9	-16	20,987.5	11
1967	37.2	97	23,571.9	12
1968	30.2	-19	26,747.1	13
1969	20.2	-33	29,242.6	9
1970	24.8	23	29,597.4	1
1971	28.0	13	30,885.1	4
1972	31.6	13	34,161.8	11
1973	25.5	-19	39,837.8	17
1974	33.5	32	46,457.5	17
1975	61.2	83	44,315.3	-5
1976	90.0	47	46,808.6	6
1977	79.2	-12	50,394.6	8
1978	150.3	90	55,269.1	10
1979	214.4	43	63,465.7	15
1980	193.1	-10	63,928.8	1

Sources: Canada, Statistics Canada, Trade of Canada, Exports by Countries, 1955-82.
Trade of Canada, Imports by Countries, 1955-82.
Consumer Prices and Price Indexes, 1975-82.
Prices and Price Indexes, 1960-75.

* All dollar figures were adjusted for inflation using the 1971 Canadian dollar as the unit of measurement.

p.14). At the time of the announcement Jean-Luc Pepin, Minister of Industry, Trade and Commerce, offered these words:

> The leader of the Soviet delegation has provided the assurance that when the USSR has requirements for the purchase of wheat, the Soviet buying agency shall, in the first instance, apply to the Canadian Wheat Board. This ensures that the Soviet Union will turn to Canada as a preferred source of supply of wheat when demand arises. [The figures in Table 1 (p. 14) bear this out.] We therefore anticipate that the USSR in the years ahead will continue to be a significant market.[12]

The 1970 extension added emphasis on non-grain trade. In Pepin's words:" . . .The two sides look to growing opportunities to sell an increasing range of products, materials and manufactured goods in each other's markets."[13] However the fifth extension, signed on 17 April 1972, reaffirmed Soviet interest in Canadian wheat.[14]

As can be seen from Table 5 (p. 55) the value of Canada-Soviet Union non-grain trade turnover did not change very much in terms of absolute value over the years relative to world trade despite the many impressive protocols signed between the two countries. In the period 1956-74 the value of non-grain trade turnover with the Soviet Union ranged from a low of $2.8 million to a high of $37.2 million, the average being $17.0 million. From this it is not hard to understand the disillusionment of Canadian business with Soviet trade during this time.

In an earlier section on the Export Development Corporation (See p. 36) it was shown how non-grain trade was promoted by extending to the Soviet Union a $500 million line of credit in 1975. In that year Canadian non-grain exports to the USSR jumped to $40.4 million from $15 million the previous year (Table 2, p. 50), an increase of 169 %. From this point on there is a dramatic rise that occurred in two stages. In the first stage, 1975-77, Canada's non-grain exports to the Soviet Union rose to an average of $45.7 million, a five and a half fold increase over the 1956-74 average of $8.2 million. In the second stage, 1978-80, the average of non-grain exports rose to $158.0 million, three and a half times the

Table 6: Soviet Trade Turnover

in millions of current rubles

	Canada	%Δ	USA	%Δ	Japan	%Δ	EEC	%Δ	CMEA	%Δ	World	%Δ
1955	4.0	-	21.9	-	3.6	-	490.8	-	3,105.6	-	5,839.0	-
1956	24.0	500	28.7	31	3.4	-6	575.5	17	3,220.5	4	6,505.0	11
1957	11.8	-54	23.4	-18	15.4	353	683.0	19	3,975.3	23	7,487.0	15
1958	24.8	111	27.7	18	33.9	120	665.0	-3	4,068.2	2	7,784.0	4
1959	17.2	-31	39.1	41	51.1	51	847.4	27	4,923.0	21	9,471.0	22
1960	13.7	-21	75.9	94	123.9	142	1,065.3	26	5,343.3	9	10,072.9	6
1961	45.3	231	67.5	-11	161.6	30	1,126.2	6	5,837.4	9	10,644.0	6
1962	4.7	-90	40.0	-41	232.9	44	1,217.6	8	6,805.3	17	12,138.0	14
1963	160.4	3313	47.4	19	260.4	12	1,154.2	-5	7,479.2	10	12,898.0	6
1964	296.5	85	164.9	248	322.1	24	1,154.4	0	8,054.7	8	13,878.0	8
1965	240.0	-19	89.2	-46	326.1	1	1,286.2	11	8,302.8	3	14,610.0	5
1966	325.0	36	99.0	11	416.6	28	1,481.0	15	8,238.7	-1	15,079.0	3
1967	187.0	-42	91.7	-7	466.8	12	1,735.1	17	9,117.0	11	16,370.0	9
1968	131.2	-32	89.5	-2	518.6	11	2,116.0	22	10,161.8	11	18,040.0	10
1969	40.1	-70	159.6	78	558.7	8	2,458.5	16	10,999.7	8	19,784.0	10
1970	125.3	213	160.9	1	652.3	17	2,513.0	2	12,283.9	12	22,078.6	12
1971	148.6	19	183.6	14	733.6	12	2,720.0	8	13,063.0	6	23,658.0	7
1972	299.8	102	583.9	218	885.4	21	3,113.1	14	15,680.5	20	26,043.0	10
1973	265.0	-12	1419.2	143	1215.5	37	5,023.4	61	18,934.2	21	31,343.0	20
1974	111.0	-59	882.5	-38	2002.0	65	7,831.6	56	20,603.0	9	39,572.0	26
1975	471.2	325	1,599.5	81	1,922.4	-4	7,736.6	-1	26,247.6	27	50,704.3	28
1976	541.2	15	2,205.5	38	2,120.5	10	9,193.1	19	28,819.6	10	56,755.7	12
1977	417.3	-23	1,527.9	-31	2,297.8	8	9,502.1	3	33,246.7	15	63,348.1	12
1978	387.6	-8	1,855.2	21	2,319.8	1	10,206.8	7	39,091.7	18	70,224.1	11
1979	485.8	26	2,837.1	53	2,597.9	12	13,641.7	34	41,654.5	7	80,307.3	14
1980	1001.6	107	1,502.5	-47	2,722.8	5	17,756.6	30	45,776.7	10	94,097.3	17
Mean of % change		184.88		34.72		40.56		16.36		11.60		11.92
Standard deviation		652.52		75.85		74.21		16.42		7.02		6.53
Coefficient of variation		3.53		2.18		1.83		1.00		.61		.55

Sources: 50 Let Sovetskoi Vneshnei Torgovli (Moskva :Mezhdunarodnye Otnosheniia,1967);
Borys Lewytzkyj, ed., The Soviet Union: Figures-Facts-Data (Munich: K. G. Saur Verlag K. G., 1979);
Ministerstvo Vneshnei Torgovli, Vneshniaia Torgovlia SSSR 1922-1981 (Moskva: Finansy i statistika, 1982);
United Nations, 1955-1980 Yearbook(s) of International Trade Statistics (New York: 1958-1981).

Table 7: Soviet Trade Turnover : % of Total Trade

	Cdn	USA	Japan	EEC	CMEA
1955	0.1	0.4	0.1	8.4	53.2
1956	0.4	0.4	0.1	8.8	49.5
1957	0.2	0.3	0.2	9.1	53.1
1958	0.3	0.4	0.4	8.5	52.3
1959	0.2	0.4	0.5	8.9	52.0
1960	0.1	0.8	1.2	10.5	53.0
1961	0.4	0.6	1.5	10.6	54.8
1962	0.0	0.3	1.9	10.0	56.1
1963	1.2	0.4	2.0	8.9	58.0
1964	2.1	1.2	2.3	8.3	58.0
1965	1.6	0.6	2.2	8.8	56.8
1966	2.2	0.7	2.8	9.8	54.6
1967	1.1	0.6	2.8	10.6	55.7
1968	0.7	0.5	2.9	11.7	56.3
1969	0.2	0.8	2.8	12.4	55.6
1970	0.6	0.7	3.0	11.4	55.6
1971	0.6	0.8	3.1	11.5	55.2
1972	1.2	2.2	3.4	12.0	60.2
1973	0.8	4.5	3.9	16.0	60.4
1974	0.3	2.2	5.1	19.8	52.1
1975	0.9	3.2	3.8	15.3	51.8
1976	1.0	3.9	3.7	16.2	50.8
1977	0.7	2.4	3.6	15.0	52.5
1978	0.6	2.6	3.3	14.5	55.7
1979	0.6	3.5	3.2	17.0	51.9
1980	1.1	1.6	2.9	18.9	48.6

Sources: 50 Let Sovetskoi Vneshnei Torgovli (Moskva «Mezhdunarodnye Otnosheniia»1967);
Borys Lewytzkyj, ed., The Soviet Union: Figures-Facts-Data (Munich: K. G. Saur Verlag K. G., 1979);
Ministerstvo Vneshnei Torgovli, Vneshniaia Torgovlia SSSR 1922-1981 (Moskva: Finansy i statistika, 1982);
United Nations, 1955-1980 Yearbook(s) of International Trade Statistics (New York: 1958-1981).

Table 8: Canada's Trade Turnover as Percent of GNP

	World	USSR
1956	39	.09
1957	37	.05
1958	29	.07
1959	28	.05
1960	28	.04
1961	28	.07
1962	28	.01
1963	28	.32
1964	30	.61
1965	30	.37
1966	32	.53
1967	33	.23
1968	35	.15
1969	35	.03
1970	35	.13
1971	35	.15
1972	36	.29
1973	40	.26
1974	45	.04
1975	43	.29
1976	42	.34
1977	44	.21
1978	46	.27
1979	51	.34
1980	48	.54
Average	32	.21

Sources: United Nations, 1958-1982 Statistical Yearbook(s) (New York: 1961-1985).
Canada, Statistics Canada, Trade of Canada, Exports by Countries, 1955-1982.
_____. Trade of Canada, Imports by Countries, 1955-1982.

Table 9: Soviet Trade Turnover as Percent of NMP

	World	Canada
1956	6.1	.02
1957	6.6	.01
1958	6.1	.02
1959	7.0	.01
1960	7.0	.01
1961	7.0	.03
1962	7.0	0.0
1963	7.6	.10
1964	7.7	.16
1965	8.0	.12
1966	7.0	.16
1967	7.3	.08
1968	7.4	.05
1969	7.6	.02
1970	8.0	.04
1971	7.8	.05
1972	8.3	.10
1973	9.3	.08
1974	11.0	.03
1975	14.0	.13
1976	15.0	.14
1977	16.0	.10
1978	16.0	.09
1979	18.0	.11
1980	20.0	.22
Average	9.7	.08

Sources: United Nations, 1958-1982 Statistical Yearbook(s) (New York: 1961-1985).
50 Let Sovetskoi Vneshnei Torgovli (Moskva «Mezhdunarodnye Otnosheniia»1967);
Borys Lewytzkyj, ed., The Soviet Union: Figures-Facts-Data (Munich: K. G. Saur Verlag K. G., 1979);
Ministerstvo Vneshnei Torgovli, Vneshniaia Torgovlia SSSR 1922-1981 (Moskva: Finansy i statistika, 1982);
United Nations, 1955-1980 Yearbook(s) of International Trade Statistics (New York: 1958-1981).

1975-77 average (45.7 million) of Canada's non-grain exports to the Soviet Union and nineteen times the 1956-74 average ($8.2 million). Furthermore, the total for 1978-80, $474 million, exceeded the total for 1955-77, $296 million, by $177.6 million. It would appear then that the EDC's line-of-credit scheme showed some success.

Thus by itself, Canada's non-grain trade with the Soviet Union improved considerably over the 1955-1980 period. However Table 4 (p. 53) shows that in 1980 the percentage of Canada's non-grain trade with the Soviet Union still amounted to only 0.3% of Canada's total non-grain world trade; and the total turnover in trade- 1.11%. This last figure represents the first time since the 1963-66 period that Canadian-Soviet trade has exceeded the one percent mark. Furthermore, grain sales still amounted to 74.5% of this trade.Table 3 (p. 51) shows that Canada's trade with the world has a coefficient of variation of 0.89% indicating that it grew at a fairly steady pace over the years 1955-80. Canada's non-grain trade has a coefficient of variation of 0.90% showing that it too experienced steady growth. The second thing to note is the share of U.S. trade with Canada which takes up approximately two-thirds of Canada's trade. It grew at exactly the same average annual rate of 6.96% and had a coefficient of variation of 1.11 indicating steady growth. These observations reveal a degree of consistency in foreign trade. From Table 2 (p. 50) the instability of Canada's trade with the Soviet Union can be seen from the coefficient of variation of 3.08 for total turnover. For non-grain turnover the coefficient of variation is 2.09. Even though there was an average increase in total turnover of 187.24% and an overall increase of over 15,000%, the Soviet share of Canada's world trade turnover exceeded 1% only five times. The seemingly random increases in trade must be attributed to the intermittent demands made by the USSR on Canadian grain supplies.

Soviet trade figures (Table 6, p. 57) confirm these same trends in Canadian-Soviet trade. The trade between the two countries fluctuated more (coefficient of variation of 3.53)

than between the USSR and any other country or group of countries shown in the table. As a rule the Canadian share of Soviet trade was below 1% (Table 7, p. 58). Trade with the countries of the Council for Mutual Economic Assistance (CMEA) played a dominant role, accounting for approximately 50% of the trade. The European Economic Community (EEC) came next. Trade with Japan, the United States, and Canada was much smaller. It should also be noted that Soviet trade turnover with the CMEA, EEC, and Japan rose at a much steadier rate than did Soviet trade with either Canada or the United States.

A country's trade turnover as a percentage of its GNP (Gross National Product) or its NMP (Net Material Product in the Soviet case)[15] indicates the importance of foreign trade to that country. Table 8 (p. 59) shows that after a small decline in 1956-59 Canada's foreign trade grew at a steady rate from 28% of GNP in 1959 to 48% in 1980, an increase of 71% and an average of 32%. It is clear that foreign trade is very important to Canada. Over this same period Canada's trade with the Soviet Union grew from .05% to .54% of Canadian GNP but still averaged only 0.21% of Canadian GNP. This very small figure indicates that trade with the Soviet Union is quite insignificant for Canada.

Table 9 (p. 60) shows that the foreign trade share in the Soviet NMP is relatively small compared to Canada's share in her GNP. It was around the 7% mark during the late 1950s and 1960s. Only in the later seventies did this figure start to go up reaching 20% in 1980. The increase of 228% is impressive but it still shows less dependency on foreign trade compared to Canada. About half of this trade was with member countries of CMEA. The percentage of Canadian trade in Soviet NMP is even less than the percentage of Soviet trade in Canada's GNP, averaging about 0.08%. (Soviet trade averaged 0.21% of the Canadian GNP.)

Canadian-Soviet trade did grow over the 25 year period involved in this study. However, as the evidence shows, the trade did not develop quickly nor to an appreciable level. But it did grow enough to provide ground for hope for the future.

End notes

[1]Canada, House of Commons, Debates 29 February 1956, 2: 1661-61.

[2]Debates 18 April 1956, 3: 3041.

[3]Carl H. McMillan, *Canada's Postwar Economic Relations with the USSR- An Appraisal*, in Canadian-Soviet Relations 1939-1980, ed. Aloysius Balawyder (Oakville, Ont.: Mosaic Press, 1981), p. 144.

[4]Debates 18 April 1956, 3: 3041.

[5]Debates 12 July 1960, 6: 6104.

[6]Ibid., pp. 6104-19.

[7]Ibid., p. 6105.

[8]Ibid.

[9]Ibid.

[10]Ibid., p. 6106.

[11]McMillan, *Canada's Postwar Economic Relations*, p. 136.

[12]*Canada-USSR Protocol Renewed*, International Canada 1(March 1970): 67.

[13]*Trade Pact with USSR*, International Canada (April 1972): 67.

[14]*Canada-USSR Protocol Renewed*, p. 67.

[15]Gross National Product- GNP- is the value of all goods and services produced by a country during a given period.

Net Material Product- NMP- is the value of all goods produced and of services used in manufacturing the goods in a year. It does not include financial, governmental, or personal services.

VI . Conclusion

Trade between Canada and the Soviet Union has grown slowly since the Second World War. This is due to a variety of reasons. In the immediate post-war period Stalin withdrew the Soviet Union from the sphere of international trade. Adding to this isolation was the West's decision to establish the Coordinating Committee on Export Control, COCOM, in order to invoke an embargo on the sale of strategic items to the communist countries of the USSR, Eastern Europe, and Asia in 1948. The Cold War, which lasted to the early 1960s, served to instill a high degree of suspicion and hostility in both the East and the West. In the Canadian House of Commons both the Liberals and the Progressive Conservatives were suspicious of the intentions of the USSR and were hesitant to promote trade.

After the death of Stalin and the emergence of Khrushchev, the attitude of the Soviet Union regarding trade with the capitalist states of the West changed noticeably. In Canada, the Soviet purchase of wheat and other grains opened the door to greater contact between the two countries. The first of many trade agreements was signed in 1956 granting most-favoured-nation status to the USSR. The benefits arising from this agreement were not large but there was hope. A start had been made.

The tensions of the Cold War began to ease in the mid-1960s culminating in a decision of the Canadian government in 1966 to actively pursue a policy of rapprochement with the Soviet Union. Trade between Canada and the Soviet Union was viewed as a means to facilitate the growth of better relations between the two countries. To this end was signed the 1971 Agreement on Cooperation in the Industrial Application of Science and Technology, also known as INDEXAG. This was followed by the Canada-USSR General Agreement later in 1971, the Canada-Soviet Protocol of Agreement on the Financing of Canadian Goods, Equipment and Services in 1975, the 1976 Long-Term Agreement to Facilitate Economic, Industrial, Scientific Technical Cooperation, and the

Long-Term Program of Economic, Scientific and Technical Cooperation in 1978. The purpose of these agreements was to increase contacts and understanding between Canada and the USSR, and to promote scientific and technical information exchange and trade in non-grain commodities.

Trade did not expand greatly as hoped for in the period 1964-1980 and there are several reasons why. The two countries depend to a large extent on the exploitation of their natural resources. Hence their economies are more competitive than complementary. Distance interferes with trade and therefore it is much easier for Canada to trade with the United States, and the USSR to trade with Europe than for Canada and the USSR to trade with each other. In addition the structure of Soviet trade administration is not set up for the efficient operation of business transactions.

Also, Canada's economic ties with the United States play a key role in limiting trade with the Soviet Union. The branch plant system enables the United States to control some of Canadian industry unofficially through the American parent company and officially through the U.S. Trading with the Enemy Act of 1917. COCOM further restricts Canadian trade with the Soviets by limiting the types of technology available for sale to the Soviet Union.

In Canada there is a continuing assumption that economic and cultural relations and exchanges will introduce more freedoms and democratic ideas into Soviet society. The Soviet Union in turn is quite willing to help Canada in terms of preference in grain and other trade. Trade would ease East-West tensions and some of the strong anti-Soviet feeling in the Canadian government.

The importance of trade to Canada and the USSR rests in its political use to advance mutual understanding and better relations. Underlying the public pronouncements of trade agreements, wheat sales, and exchanges is the political basis for trade relations between the two countries. If all the benefits of Canadian-Soviet trade are considered then it can be said

that trade between the two countries is important for political reasons. Canadian-Soviet trade, if ineffective economically, did nevertheless maintain a continuous dialogue between Ottawa and Moscow during the period 1964-1980.

I do not see any great change in Canadian-Soviet trading patterns in the foreseeable future. At the present time each country occupies about one percent of the other's total trade. Even if the trade were to double, it would still amount to about two percent, an insignificant amount. Furthermore if we consider only non-grain commodities the amount of Canadian-Soviet trade becomes very small.

I do not mean to say that there are no opportunities for a Canadian exporter in the Soviet market because a buyer who does not now import from Canada is still a potential customer. Whether a potential customer becomes an actual customer depends on how much the Canadian businessman wants the business. There are some Canadian companies who have done this but they are small in number and should be considered on a case-by-case basis and not as indicative of any trend.

As pointed out in this thesis there are numerous difficulties facing the Canadian businessman. Canada must compete with Western Europe for the Soviet market. It is hard to beat Western Europe on the basis of price or availability. The only alternative is to be innovative. As is often repeated in trade journals, the Canadian businessman must be willing to take risks and devote more resources to research and development, and this is a trait for which, with few exceptions, Canadians are not known for.

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Appendices

A. Options in Canadian Foreign Trade Policy

Four possible alternatives for Canadian trade policy were suggested in 1960 by H. I. Macdonald, lecturer in Canadian political economics at the University of Toronto. There could be a move toward multilateralism, which would entail the lowering of trading barriers with all willing nations. A safe option, it would not restrict any nation's trading practices and would probably have some positive effect on Canada's foreign relations. The opposite, would be to withdraw behind protectionist barriers and become an economic island. This would increase the sense of independence, but also Canada's isolation and would probably lower the standard of living by an unacceptable amount.

A move toward economic union with the United States has many good arguments. Canada might lose its political independence. This is a very touchy proposition to Canadians and any politician who has advocated freer trade with the Americans, starting with Laurier, has lost elections[1]. However, it should be kept in mind that the United States is a huge, dynamic market whose free access to could raise Canada's standard of living.

The last option, a move toward more cooperation with the European trading blocs, would reassert Canada's prewar trading patterns with its once-colonial masters. There were still ties which could prove useful in the large European market. The goodwill Canada had earned during World War II could help generate trade. As always there was concern in the Canadian government about the trade deficit with the United States, and the expansion of exports to Europe and elsewhere was a way to cover this deficit.[2]

During the relatively prosperous sixties Canada's trade policies assumed a low profile until 1970 when a white paper on Canada's foreign policy was released emphasizing the diversification of Canadian external relations. Following this, President Nixon's 10% surcharge invoked in August 1971 prompted further debate on Canada's vulnerability to the American market culminating in Mitchell Sharp's article, *Canada-U.S. Relations: Options*

for the Future,[3] which put forward three options.

The first option was a do-nothing policy, simply maintain the status quo with minimum policy adjustments to adjust to changing times. Private business would be the determining factor in continuing the laissez-faire economic policy. The government could help by completing multilateral, most-favoured-nation agreements with all willing nations and by removing any bureaucratic obstacles to increasing exports.

A move toward closer Canadian integration with the United States was the second option. As said above, (p. 77) this would be politically dangerous but holds out the promise of a brighter economic future. It might be possible to effect a compromise between the political and economic advantages by concluding closer economic agreements on a sectoral or comprehensive basis following the example of the Auto Pact. It would protect Canada against future changes in American world trade policy but not against US domestic policy, although there would now be a stronger Canadian voice. Trade with third parties would be restricted. A big possibility is that integration might prove to be irreversible for Canada but not for the United States.

The Third Option was a modification of the first. However, there was to be a concerted effort to depend less on the American market. It was to be made clear to the United States that this was not anti-American- that it was to be a move toward other countries and not away from the United States. The change would be that Canada's relations with the rest of the world would expand, but not at the expense of Canadian-American relations.[4]

Trade with the Eastern Bloc was to be part of the third option. Development of relations with the Soviet Union would demonstrate Canada's determination to have a foreign policy more independent of the United States.[5] Canada's trade with the socialist bloc was well below the average in relation to other Western industrial countries and therefore below potential.[6] (See Table 7, p. 58.)

Diefenbaker had had a study done in the late 1950s on the feasibility of the third

option and found that the established continental trade patterns were too great to change. Fifteen years later the same idea was looked at again (by some of the same people who had done the previous study) and came out with the same result- Canada was a North American country inextricably tied to the United States.[7]

This desire for change in Canadian-American relations was felt not only in Canada. President Nixon delivered an address to the Canadian Parliament in April 1970. The topic was the separateness and independence of Canada and the United States and was called the Nixon Doctrine. In the address Nixon presented a clear-sighted approach to Canada-US relations and, perhaps unwittingly, to Canada's third option.

> It is time for Canadians and Americans to move beyond the sentimental rhetoric of the past; . . . to recognize that we have very separate identities . . .[and] significant differences. . . .Mature partners must have autonomous independent policies; each must define the nature of its own interests; the requirements of its own security;the path of its own progress. . . .
> No self-respecting nation can or should accept the proposition that it should always be economically dependent upon any other nation.[8]

End notes

[1]Lawrence Martin, The Presidents and the Prime Ministers, Washington and Ottawa Face to Face: The Myth of Bilateral Bliss 1867-1982 (Toronto: Doubleday Canada Ltd., 1982).

[2]H. I. Macdonald, *Canada's Foreign Economic Policy*, Behind the Headlines 20 (November 1960): 1-15. The trade deficit with the United States existed in all the years of this study except 1970-73 and 1977-78 and averaged (using given figures) $617.5 million a year.

[3]International Perspectives, Autumn 1972.

[4]Ibid., pp. 14-19.

[5]Carl H. McMillan, *Canada's Postwar Economic Relations with the USSR-An Appraisal*, in Canadian-Soviet Relations 1939-1980, ed. Aloysius Balawyder (Oakville, Ont.: Mosaic Press, 1981), p. 135.

[6]David St. Charles, *Canada and the USSR, Part I*, Soviet Business and Trade, 4 (17 March 1976): 3.

[7]Martin, The Presidents and the Prime Ministers, p. 255.

[8]Ibid., pp. 251-252.

B. Alberta-Soviet Trade

Canada's grain trade with the Soviet Union is important to the Alberta farmer since Alberta produces approximately 30% of Canada's grain.[1] However, Alberta's non-grain trade is very small. As with Canada, grain exports are the dominating factor in Alberta-Soviet trade, accounting for 95.3% of total trade turnover for the period 1971-1980. During this same period Alberta was, on the average, responsible for 23% of total Canadian-Soviet trade. In yet another similarity with Canada, Soviet trade with Alberta has always been small, never reaching one percent of Alberta GDP and averaging only 0.54%.

1. Alberta Government Involvement

The Canada-USSR INDEXAG was meant primarily as a means to exchange technical information with trade as a possible by-product. From the viewpoint of the Alberta Department of Industry and Commerce this trade had been negligible. Alberta also disagreed with the federal government's program for export market development which required businessmen to have specific items to sell before they could receive assistance. The department thought Alberta businessmen should find out the needs of the Soviets and then adjust their production to meet these needs.[2]

It was recognized by the Alberta government that federal initiatives were influenced by the exigencies of political strategy whereas the Province was more interested in satisfying the needs of its industries. In meetings between the Alberta Trade Mission to the USSR and Soviet ministries connected with the petroleum industry, INDEXAG was considered an obstacle to trade by the Albertans.[3]

The Alberta Department of Business Development and Tourism had established working relations with the USSR Ministry of Foreign Trade, foreign trade organizations (fto's), and technical ministries (Oil, Gas, Pipeline, Construction). The purpose was to expand Soviet awareness of Alberta's technological capabilities.[4] Trade missions to the

Table 10: Alberta's Trade Turnover with the USSR
in Millions of Current dollars

	Alberta GDP	Non-Grain	% of GDP	Total* Trade	% of GDP	% of Canadian Trade with USSR
1971	7,800	3.2	.038	35.2	.45	27.1
1972	8,800	6.2	.068	82.3	.93	29.4
1973	11,100	0.06	.000	77.9	.71	26.9
1974	15,300	1.2	.007	3.0	.02	10.0
1975	18,600	8.6	.048	95.1	.51	22.6
1976	21,700	15.1	.069	141.3	.65	25.6
1977	24,400	7.5	.033	89.4	.36	24.8
1978	27,900	2.3	.011	108.6	.39	19.1
1979	34,400	3.2	.009	133.3	.39	17.3
1980	41,700	7.4	.019	408.1	.98	26.7

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*Prior to 1982 grain exports were not attributed to the grain-producing provinces due to the bill-of-lading method of determining origin of good. Therefore Alberta and Saskatchewan were not credited with grain exports, and Manitoba with only a portion. By using statistics from the Grains and Oilseeds Review Alberta's grain exports were estimated at 28.5% of Canada's exports for the 1971-1977 period and 31.2% for the 1978-1980 period. These figures were used in calculating the above table.

Soviet Union were organized on a shared cost basis with private companies. The government would pay approximately half of the costs and make all travel, hotel, and meeting arrangements, and also assist companies in the preparation and shipment of sales literature and samples.[5] Alberta's oil industry would play a large role in these trade missions.

2. Oil Industry Involvement

The Soviet need for Western oil technology was recognized as early as 1967 when a Canadian delegation visited the USSR. The emphasis at that time was on West Siberia. Problems of producing oil there are similar to the problems experienced in the Canadian north and include transportation, climate, terrain, and long distances to markets. Soviet technology also offered some possibilities for Canadians.[6]

Under INDEXAG was formed the Oil Working Group with subcommittees on drilling, production, reservoir, and heavy oil. In late1972 A. S. Murray, of Esso Resources Canada Ltd., was asked to head the subcommittee on gas. Murray formed a group of 25 people and received a Soviet delegation in March 1973. The Soviets were given a complete tour of Canada's drilling operations with visits to exploratory drilling rigs in the far Arctic- Resolute Bay, Cambridge Bay, and Inuvik- and throughout Alberta. Papers were presented at seminars by both parties. The visit lasted almost three weeks and ended with a protocol describing what had been done and an invitation to the Canadian group for November 1973.[7]

Also in early 1973 was a visit to the Soviet Union by a delegation from the Canadian Natural Gas Processing Supply Men's Association. At their meetings it was revealed that a considerable potential market for gas processing equipment existed in the USSR. The problem in this was, and is, that the Soviets like to buy complete plants and such projects are too large for Canadian companies. American and West European companies therefore received this business. Exceptions to this trade were the valves, engines, and compressors

required for the huge gas transmission lines.[8]

Soviet officials stated to the Canadian delegation that they were not interested in purchasing engineering. Any engineering firms desiring to do work for the Soviets would have to join up with an equipment manufacturer. They were, however, impressed with Canada's knowledge of sour gas processing, and low temperature construction and operation of equipment.[9]

The visit to the Soviet Union in November 1973 by the Canadian Subcommittee on Gas was led by Murray and consisted of four experts in the drilling field, a representative of the government from Ottawa, and an interpreter. As in Canada, technical sessions were held and papers given. The delegation travelled to Kuybyshev, Baku, Nizhnevartovsky, Sochi and the Black Sea area, and to drilling operations in the arctic.

One of the results of the visit was the proposal by the Soviets of having a well drilled in the Soviet arctic by a Canadian group. In turn, the Canadians listed seventeen items that they liked about Soviet drilling technology, one of which was the turbodrill. A protocol was drawn up designating the technique of drilling in permafrost and the demonstration of the turbodrill as cooperative projects.[10]

In February 1974 an Alberta trade mission went to the USSR. During this visit it was found that the Soviets were interested in technology and equipment for arctic drilling in permafrost and offshore on ice, and also in drilling equipment for drilling off Sakhalin Island. Other areas of interest were: deep well drilling equipment, draw works, drill tools, enhanced recovery equipment, drilling mud, high pressure pumps and valves, transport vehicles, material handling equipment, special tools, line pipe, and casing (see Appendix D).[11]

In May of 1974 a delegation of the Soviet Oil Ministry visited Alberta as part of the Oil Working Group under INDEXAG. Their objectives were to demonstrate Soviet drilling technology and to drill an oil well and several designated portions of wells in Western

Canada using the Soviet turbodrill adapted to Canadian drilling rigs.[12] The delegation investigated available equipment such as pumps, lifting works, and derrick sizes to determine necessary alterations to Soviet and Canadian equipment for the adaptation of the Soviet turbodrill. They visited repair facilities and inspected special tools needed for servicing the turbodrill, and compared drill bits and drilling fluids and studied possible drilling sites.[13] In November 1975 five Soviet specialists came to Canada to carry out the experimental turbodrilling, finishing in May 1976. The Calgary based Canadian Drilling Research Association (CDRA) was to observe and assist with the project which was restricted to wells operated by CDRA members.[14]

The CDRA was formed in April 1974 and consisted of fourteen Canadian oil exploration companies, a drilling bit company, and a directional drilling company. (See Appendix C for list of members). Their objective was to improve drilling efficiency. Although CDRA's charter allowed them to work with any country, they only worked with the USSR.[15] The CDRA planned to drill one or two wells in the Soviet arctic. To enable the CDRA specialists to use Canadian equipment, Global Trading Co. of Calgary sold a $9.7 million package to V/O Machinoexport.[16]

The Soviets provided a basic drilling rig. Everything else came from Canada. Suppliers from the Calgary-Edmonton area included: Atco (camp equipment), Draeco (steel fabrication), Barber Industries (casing and fabrication), Import Tools (linear equipment), Lister (heaters and boilers), Northwest Tent and Awning, Porta-Test Manufacturing, Wagner Industrial (choke manifolds), Western Rock Bit, the Oilwell Supply division of U.S. Steel, Haliburton Services Ltd. (oilwell cementing), and Rucker Petroleum Services (Canada). Global supplied a complete mud system.[17]

Equipment arrived at the site in the USSR in June 1976 and preparatory work begun. Under a separate services contract Helton Engineering Ltd. of Calgary began drilling the test well, Vozei 100 (located north of Pechora), in July 1977. Approximately sixty

Canadians worked on the well which was completed in March 1978.[18]

There was great hope that the drilling exchange would lead to a major deal in the form of a $500-$700 million order from the USSR for oil and gas manufacturing equipment. The Soviets were building the world's largest sour gas plant in the Astrakhan gas field in Siberia, the cost of which was estimated at $1-1.25 billion.[19] It was reported that "because of the CDRA's excellent relationship and connections with the Soviet Union, various Canadian companies [had] been requested to submit bids."[20]

Several factors encouraged Alberta firms. They had experience at working in harsh climatic conditions, and the technology and experience needed for sour gas plants. It was possible that cold war politics such as Carter's embargo of American technology in 1979 could hinder competing bids. Another factor was the $500 million line of credit extended to the USSR by the Export Development Corporation. (See p. 36.) This was helpful in another way in that the Soviets encouraged German and French firms bidding for work to buy Canadian services and products.[21] Unfortunately, very little trade resulted.[22]

End notes

[1]Canada, Statistics Canada, Grains and Oilseeds Review (December 1978): 21-22; (December 1982): 22-23.

[2]F. Schlager, *Report on the Alberta Trade Mission to the USSR- 1974*, Alberta Department of Industry and Commerce, International Marketing Branch, Acc. No. 84.310, Box 4, Alberta Provincial Archives, Edmonton, Alberta, (hereafter cited as APA), Section 3: 1.

[3]Ibid., Section 3: 1-2; Section 8: 1.

[4]Alberta, Department of Business Development and Tourism, *Alberta's Performance and Opportunities*, Acc. No. 84.310, Box 8, APA, p. 13.

[5]K. H. G. Broadfoot, Assistant Deputy Minister, Alberta Business Development and Tourism, Letter, 7 March 1978, Acc. No. 83.372, Box 5, File 7302-27-0950, APA, p. 2.

[6]R. A. Hemstock, *Canadian Delegation Visit to Russian Oil Industry- October 10-24, 1967*, Production Research and Technical Service Department, Acc. No. 84.310, Box 4, APA, p. 2.

[7]A. S. Murray, Chairman of the Canadian Drilling Research Association (Retired), interview held at his home in Calgary, Alberta, 11 March 1986.

[8]Norm Brown, Chairman of the Alberta Engineering and Content Committee of the Canadian Natural Gas Processing Supply Men's Association, Letter to members, 16 March 1973, Acc. No. 84.310, Box 4, APA, p. 1.

[9]Ibid., pp. 5-6.

[10]Murray, interview.

[11]Schlager, *Report on the Alberta Trade Mission*, Appendix 2: 3.

[12]F. Schlager, *Report on Visit of Soviet Oil Ministry Delegation to Alberta May 4-16, 1974*, Acc. No. 84.310, Box 38, APA, p. 1.

[13]Ibid., p. 2.

[14]A. S. Murray and J. R. Tilbe, *Canadians Report Results of Drilling Exchange with Soviets*, The Oil and Gas Journal (23 April 1979): 54.

[15]Ibid., p. 51.

[16]Murray, interview.

[17]*Canadian Drillers*, Soviet Business and Trade 5 (9 June 1976): 1-2.

[18]*Arctic Drilling*, Soviet Business and Trade 6 (3 August 1977): 4; Murray and

Tilbe, *Canadians Report Results*, pp. 52, 54.

[19]Richard Osler, *Alberta Firms Spud in on USSR*, Financial Post, 2 September 1978, pp. 1-2.

[20]*Drilling Pact Possible*, The Albertan, 6 March 1979, p. 32.

[21]Osler, *Alberta Firms Spud in on USSR*, pp. 1-2.

[22]P. M. Dranchuk, Professor of Mineral Engineering, University of Alberta, Edmonton, Alberta, interview held 20 March 1986.

C. Member Companies of the Canadian Drilling Research Association

Amoco Canada Petroleum Co Ltd
Aquitaine Co of Canada Ltd
Chevron Canada Ltd
Dome Petroleum Ltd
Esso Resources Canada Ltd
Hudson's Bay Oil & Gas Co Ltd
Mobil Oil Canada Ltd
Norcen Energy Resources Ltd
Pacific Petroleums Ltd
Pan Canadian Petroleum Ltd
Panarctic Oils Ltd
Petro-Canada
Shell Canada Resources Ltd
Sun Oil Co Ltd
United Directional Drilling Ltd
Western Rock Bit Co Ltd

Service Companies who traded through the CDRA

Atco	Camp equipment
Barber Industries	Casing and fabrication
Draeco	Steel fabrication
Global Trading Co	General services, Mud system
Haliburton Services Ltd	Oilwell cementing
Import Tools	Linear equipment
Lister	Heaters and boilers
Northwest Tent and Awning	
Oilwell Supply, Division of U.S Steel	
Rucker Petroleum Services (Canada)	
Wagner Industrial	Choke manifolds
Western Rock Bit	

D. Soviet Drilling Technology of Interest to Canada

Turbodrill- offshore, onshore; when adapted to Western use proved to be inefficient; in its Soviet form it is very effective and could be used in the Canadian arctic but isn't

Aluminum drill pipe- still an experimental project between France and the Soviet Union

Method of using an air cushion to move a drilling rig

Techniques in running and cementing casing

Modular design of drilling rig equipment

Automatic drill string handling equipment- increases safety and reduces manpower needed

Artificial diamond bits

Drill pipe slips

Drilling large diameter holes- two turbodrills in parallel

Drilling fluids

E. Examples of Joint Canadian-Soviet Trading Companies

EMEC Trading Ltd

Established: 1973
Locations: Vancouver, Winnipeg
Ownership: Energomachexport- 95%
Canadian- under 5%
Activities: Markets, services, and installs Soviet turbines, generators, and hydrofoils
Sales: 1985- $1,500 million
Management: Soviet but with three Canadian directors

Morflot Freightliners Ltd

Established: 1971 as a 50-50 mixed equity company, present structure emerged in 1975
Locations: Vancouver, Portland, Seattle
Ownership: Sovinflot- 95%
Canadian- 5%
Activities: Shipping
Sales: 1985- $13,000 million
Management: Soviet president, Canadian vice-president

Socan Aircraft Ltd

Established: 1975 after 5 years of negotiations, closed in 1976
Locations: Calgary
Ownership: Aviaexport- 67%
International Jet Air (wholly owned by Allarco Developments)- 33%
Activities: Modify, market, and service Soviet Yak 40 passenger jet aircraft
Sales: None, company closed up after failure to get aircraft certified
Management: Chairman, chief executive officer, president, and general manager were Canadians; two vice-presidents were Soviets

Soviet Investment

Belarus Equipment of Canada Ltd

Established: 1972 as joint venture between Traktoroexport and Satra Corp (U.S)
Locations: Toronto, Montreal, Moncton, Regina, 120 dealers
Ownership: V/O Traktoroexport
Activities: Market and service tractors and farm machinery
Sales: 1985- $9,000 million
Management: Canadian chairman, Soviet president and chief executive officer

Stan-Canada Machinery Ltd

Established: 1972
Locations: Toronto, Montreal
Ownership: Stankoimport
Activities: Market and service industrial machinery and machine tools, exclusive agent for Stankoimport in North America
Sales: 1985- $3,740 million
Management: Canadian chairman

F. Chronology

June 1942- Diplomatic relations established; active cooperation as allies.

Mid 1940s- Cold War brings relations to low ebb.

29 February 1956- Trade Agreement between Canada and the USSR for a period of three years. Most-favoured-nation status given to USSR.

18 April 1960- Trade Agreement extended for a period of three years.

16 September 1963- Trade Agreement extended for a period of three years.

1963-64- First large-scale Soviet purchase of Canadian wheat.

1964- Agreement signed between Atomic Energy of Canada Ltd. and the Soviet State Committee for Utilization of Atomic Energy for cooperation in the peaceful uses of nuclear energy.

1965- The USSR acceded to the Paris Convention on the Protection of Industrial Property. This was followed by substantial purchases of Western licenses.

- Agreement signed between the Department of Energy, Mines and Resources and the Soviet State Committee for Science and Technology for cooperation in the metallurgical sector.

1966- Canadian Cabinet approved a recommendation for negotiation of a comprehensive agreement with the USSR on cultural, scientific, technical, and other exchanges. Later, Paul Martin, Secretary of State for External Affairs, visited Moscow. Agreed that negotiations should promote such an agreement.

20 June 1966- Trade Agreement extended for a period of three years, limited to a simple exchange of most-favoured-nation treatment.

1966-67- High level exchanges.
- Soviet participation in Expo 67.

21 August 1968- Invasion of Czechoslovakia, momentum of relations broken. Soviet moves to resume interchange.

1969- Soviet Foreign Minister, Andrei Gromyko visits Canada, returning the visit of Paul Martin, then Secretary of State for External Affairs, in 1966.

1970- White Paper on foreign policy emphasizing "Third Option."

3 March 1970- The 1956 Trade Agreement is extended a fourth time for another three years.

April 1970- Visit by D. M. Dvishiani, deputy chairman of the State Committee for Science and Technology gave impetus to agreement on industrial exchanges.

October 1970- Prime Minister Trudeau's scheduled trip postponed by "October Crisis" in Quebec.

21 January 1971- Agreement between the Government of Canada and the Government of the USSR on Cooperation in the Industrial Application of Science and Technology (INDEXAG) signed in Moscow. Agreement to last five years.

17-28 May 1971- Visit of Prime Minister Trudeau to the USSR.

19 May 1971 - Protocol on Consultations and a draft of the General Exchanges Agreement (later signed in October).

October 1971- Premier Kosygin's visit to Canada. Canada-USSR General Exchanges Agreement signed.

7 April 1972- The 1956 Trade Agreement extended for another three years. Provided no Soviet commitment to purchase a specific quantity of Canadian wheat but the Soviets would look first to Canada for future wheat.

19 July 1974- Kaiser Resources Ltd. of Vancouver signed an agreement with the Ministry of Coal Industry in the USSR. Formulated as a protocol to the INDEXAG Agreement, it provided for a Soviet visit to Kaiser Resources mining operations to study the possible applications of Soviet technology there and possible application of Kaiser technology in the USSR.

9 May 1975- Canada-USSR Protocol of Agreement on the Financing of Canadian Capital Goods, Equipment and Services (extended to September 30, 1979).

September 1975- Soviet Foreign Minister Andrei Gromyko visits Canada.

1975-76- Exchange of delegations between the USSR Supreme Soviet and the Canadian Parliament.

27 January 1976- Automatic renewal of INDEXAG for a period of five years.

14 July 1976- Long-Term Agreement between the USSR and Canada to Facilitate Economic, Industrial, Scientific and Technical Cooperation for a period of ten years.

- The 1956 Trade Agreement extended for another five years.

16 August 1976- Announcement that the Export Development Corporation would lend up to $8.1 million to support the sale to the Soviet Union of drilling rig components under the Agreement between the Canadian Drilling Research Association and V/O Machinoimport.

April 1977- Long term program for economic, industrial, scientific and technological cooperation between Canada and the USSR working groups set up.

29 May 1977- Alberta Premier Lougheed left for a five week trip to the Soviet Union.

26 October 1978- Long-Term Program of Economic, Scientific and Technical Cooperation between Canada and the USSR implemented the provisions of Article VI of the 1976

agreement which in three annexes listed fields for further development.

December 1979- The Soviet invasion of Afghanistan affected trade and cooled relations. Canadian grain exports would continue as to contract and would be no higher and no lower. Advantage of the American grain embargo would not be taken.

1979- Protocols have been regularly issued at the end of meetings of the mixed commissions established under INDEXAG. There were four such meetings (1971-76) and as of the end of 1979, the mixed commission created by the long-term agreement had met twice.